



COMMUNITY DEVELOPMENT COMMISSION

County of Los Angeles

2 Coral Circle • Monterey Park, CA 91755

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Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

August 16, 2005

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Honorable Board of Commissioners
Community Development Commission of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors and Commissioners:

**APPROVE A SECTION 108 LOAN GUARANTEE AGREEMENT AND AN ECONOMIC
DEVELOPMENT INITIATIVE GRANT TO THE CITY OF COMMERCE (1)
(3 Vote)**

IT IS RECOMMENDED THAT THE BOARD OF SUPERVISORS:

1. Consider the attached Environmental Assessment/Mitigated Negative Declaration prepared pursuant to the requirements of the California Environmental Quality Act (CEQA), together with any comments received during the public review process, for the Commerce Industrial Center Project, involving the acquisition of a food processing facility at 4000 Noakes Street and acquisition of an existing packaging facility at 4209 Noakes Street, located in the Commerce Industrial Complex in the City of Commerce.
2. Find that after the incorporation of the mitigation measures, identified in the Mitigation and Monitoring Plan and required as a condition of project approval, the Commerce Industrial Center Project

- will not have a significant effect on the environment; approve the Environmental Assessment/Mitigated Negative Declaration; find that the project will have no adverse effect on wildlife resources; and authorize the Executive Director of the Community Development Commission, as agent of the County, to complete and file with the County Clerk a Certificate of Exemption for the project described above.
3. Find that the Environmental Assessment/Mitigated Negative Declaration reflects the independent judgment of the County; and instruct the Executive Director, as agent of the County, to file with the County Clerk a Notice of Determination, as required under CEQA, and take any and all actions necessary to complete the implementation of this environmental review action for the project described above.
 4. Authorize the Executive Director, as agent of the County, to execute a Section 108 Loan Agreement, presented in substantially final form, between the County and the City of Commerce (the City), to provide a 20-year loan of Section 108 funds in the amount of \$10,000,000 and an Economic Development Initiative (EDI) grant in the amount of \$1,000,000 to the City to assist in financing the Commerce Industrial Center Project, and to execute any necessary amendments to the Loan Agreement to adjust loan conditions, including interim and permanent financing as it is made available by HUD to the City, to be effective following approval as to form by County Counsel and execution by all parties.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

Authorize the Executive Director of the Community Development Commission, following approval by the U.S. Department of Housing and Urban Development (HUD), to receive from the County of Los Angeles \$10,000,000 in Section 108 loan proceeds and \$1,000,000 in EDI grant funds awarded to the County by HUD, for the purposes of assisting the City of Commerce (City) to finance the acquisition of a food processing facility at 4000 Noakes Street and acquisition of an existing packaging facility at 4209 Noakes Street, located in the Commerce Industrial Complex in the City of Commerce; and authorize the Executive Director to incorporate the funds into the Commission's approved Fiscal Year 2005-2006 budget.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The proposed loan and grant funds will enable implementation of the Commerce Industrial Center Project, which will contribute to the economic revitalization of the City by creating up to 340 permanent, full-time jobs.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund. Upon receipt of the Section 108 loan and EDI grant funds from the County, the Executive Director will incorporate the \$11,000,000 into the Commission's approved Fiscal Year 2005-2006 budget.

On November 30, 2004 and October 12, 2004 respectively, your Board approved the submission of Section 108 loan and EDI grant applications to HUD to secure funds for the proposed Commerce Industrial Center Project. Your Board's approval of the \$10,000,000 Section 108 loan, and conveyance of the \$1,000,000 in EDI grant funds to the City, will enable the implementation of the proposed project.

Following approval by your Board of the Section 108 loan and the proposed security and financing structure, the County will execute a binding Loan Agreement with the City, securing the Section 108 loan and EDI grant. The City, in turn, will enter into a binding Loan Agreement with Dedeaux Properties, LLC (the Developer) to transfer the loan funds and to convey the EDI grant funds to the Developer to finance the acquisition of the two subject facilities located in the Commerce Industrial Center.

The EDI grant regulations require that Section 108 loan proceeds be used in conjunction with the grant funds. Accordingly, the Section 108 loan will be leveraged with the EDI grant funds at a ten-to-one ratio. The proposed loan will be funded through HUD's Section 108 Loan Guarantee Program.

The Section 108 loan funds will be drawn down using either interim or permanent financing. Interim financing is subject to a variable interest rate of London InterBank Offered Rate (LIBOR rate), plus 20 basis points (0.20 percent), and requires quarterly interest payments. Permanent financing, which will provide a fixed market rate, is only available through HUD once it holds a public offering of notes. When the next public offering occurs, the County will request that HUD include this Section 108 loan in its public offering to obtain permanent financing. The Developer will repay both principal and interest to the City which will then repay the County over a 20-year period upon securing permanent financing. The estimated annual loan repayment under the permanent financing is \$980,700.

The Developer will repay the Section 108 loan using lease revenue from the properties acquired pursuant to this project. The collateral to secure the Section 108 loan will

consist of a First Deed of Trust on the two properties acquired with these funds that will be leased to Huhtamaki Packaging, Inc. and Contessa Food Products. The two properties are located within Commerce Industrial Center in the City of Commerce, and consist of a 175,000 square foot industrial building and an 82,000 square foot refrigerated food processing building. The Developer will assign and pledge the proposed real estate collateral to the City. The City will in turn, assign and pledge the real estate collateral to the County. The same real estate collateral will be assigned and pledged by the County to HUD, as required.

In addition, the Developer will be required to deposit a non-restricted funding source in an amount equal to \$1,000,000, approximately equal to one annual debt service payment on the Section 108 loan, which is estimated at \$980,700. The County will use the funds to make loan payments in the event the loan payments are not remitted to the Executive Director of the Commission. The non-restrictive funds will be placed in a separate account for the term of the Section 108 loan and be available to debt service the Section 108 loan. A callable upon demand, irrevocable letter of credit from an A or better-rated issuer, or a certificate of deposit, in the amount of \$1,000,000, will be issued to the City by the Developer and assigned to the County to secure City and County obligations in the event of financial or performance default.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The project site, known today as the Commerce Industrial Center, is used for commercial and industrial warehousing and distribution. The site is in a generally distressed area that has experienced a trend of job loss dating back to the 1960s with its worst job loss period occurring between 1978 and 1992, when 17,300 jobs were lost at a rate of 1,235 jobs annually. The City's long-term objectives are to retain business occupancy at these sites, retain existing jobs, and create approximately 340 new jobs. The jobs created as a result of this project will be principally for low- and moderate-income residents of the County, which will serve to increase the local tax base, and stimulate overall economic activity in this generally distressed area.

The County can apply to HUD for loan guarantees to be secured by future Community Development Block Grant (CDBG) allocations under Section 108 of the Housing and Community Development Act of 1974, as amended, and additional security as required by HUD. The Section 108 Loan Guarantee Program and EDI grants make funds available for eligible activities, including site acquisition and construction "soft costs." Projects must benefit low- and moderate-income persons, or eliminate conditions of slum and blight. Projects to be funded under the Section 108 Loan Guarantee Program may be submitted to the Executive Director of the Commission, as agent of the County, by cities participating in the Los Angeles Urban County CDBG Program, as well as by private, for-profit businesses. Each project is individually submitted to your Board for approval.

The Commission is requesting that your Board approve the loan of Section 108 funds, and the conveyance of the EDI grant funds to the City, which subsequently will be loaned and granted, respectively, to the Developer to finance this project. It is also requested that the Executive Director be authorized to execute all necessary documents for this purpose, including amendments to the Loan Agreement to adjust loan conditions, including interim and permanent financing as it is made available by HUD to the City.

On July 6, 2004 pursuant to 24 Code of Federal Regulations Section 570.704, Paragraph (a) (2) (iii), the Commission convened a public hearing on the proposed Commerce Industrial Center Project at the Commission's main office at 2 Coral Circle, in the City of Monterey Park. No public comments were received.

The proposed Section 108 Loan was approved by the Commerce City Council on August 2, 2005. The attachments are being submitted in substantially final form, and will be effective following approval as to form by County Counsel and execution by all parties.

ENVIRONMENTAL DOCUMENTATION:

An Environmental Assessment was prepared for the project pursuant to the requirements of the National Environmental Policy Act of 1969 (NEPA). This document describes the proposed project, evaluates the potential environmental effects, and describes the mitigation measures necessary to avoid potentially significant environmental effects from the project. Based on the conclusions and findings of the Environmental Assessment, a Finding of No Significant Impact was approved by the Certifying Official of the Community Development Commission on December 29, 2004. Following the required public and agency comment period, the U.S. Department of Housing and Urban Development issued a Release of Funds for the project on January 18, 2005.

Consistent with the provisions of the CEQA Guidelines, Article 14, Section 15221, notice was provided to the public that the Environmental Assessment would be used in place of an Initial Study to satisfy CEQA requirements. The Environmental Assessment/Mitigated Negative Declaration was circulated for public review as required by state and local law, and the Environmental Assessment/Mitigated Negative Declaration, in conjunction with the Mitigation and Monitoring Plan, meets the requirements of CEQA.

Approval of the Environmental Assessment/Mitigated Negative Declaration, including the Mitigation and Monitoring Plan, and filing a Notice of Determination with the County Clerk will satisfy CEQA requirements. A fee must be paid to the State Department of Fish and Game when certain notices required by CEQA are filed with the County Clerk. The Commission is exempt from paying this fee when your Board finds that the project

Honorable Board of Supervisors/Commissioners

August 16, 2005

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will have no significant impact on wildlife resources. The project is located in an urban setting, and the Environmental Assessment/Mitigated Negative Declaration concludes there will be no adverse effect on wildlife resources.

The environmental review record for this project is available for viewing by the public during regular business hours at the Commission's main office located at 2 Coral Circle, Monterey Park.

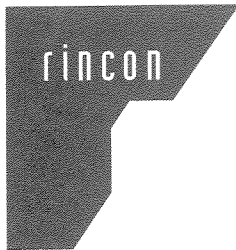
IMPACT ON CURRENT PROGRAM:

The proposed project will benefit low- and moderate-income residents of the County through job creation in the City of Commerce and surrounding areas.

Respectfully submitted,

CARLOS JACKSON
Executive Director

Attachments: 4



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July 25, 2005

Donald Dean, Environmental Officer
Community Development Block Grant Division
Community Development Commission
County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755-7425

**SUBJECT: AMENDED ENVIRONMENTAL ASSESSMENT: COMMERCE
INDUSTRIAL CENTER DEVELOPMENT PROJECT**

Dear Mr. Dean:

This correspondence responds to your request to review and update an Environmental Assessment (EA) for the Commerce Industrial Center Development Project, originally prepared in November 2004. The EA analyzed the environmental effects of constructing a 70,000 square-foot refrigerated food processing building in the City of Commerce, retaining an existing 175,000 square-foot food processing building in Commerce, and constructing an approximately 50,000 square-foot industrial building in the County of Los Angeles. Since the preparation of the original EA, the 50,000 square-foot industrial building in the County of Los Angeles has been removed from the project. The proposed project is now limited to the two sites in Commerce, which are located at 4000 and 4209 Noakes Street

This letter and attachments serve as an addendum to the original EA. Together, they provide updated information that support the use of an environmental assessment and Finding of No Significant Impact (FONSI) for the proposed action. If you have any questions regarding this matter, please do not hesitate to call.

Sincerely,
RINCON CONSULTANTS, INC.

Joe Power, AICP
Principal

Commerce Industrial Center Development Project Amended Environmental Assessment

Background. This EA was originally completed in November 2004. The project consisted of the construction of facilities for an industrial center at three different locations. A 70,000 square-foot refrigerated food processing building for manufacturing, packaging, and distribution was to be constructed at 4000 Noakes Street. A 175,000 square-foot food packaging building at 4209 Noakes Street was to be retained for food packaging. Finally, an approximately 50,000 square-foot industrial building used for manufacturing, packaging, and distribution of food products was to be constructed on the parcels bordered by Union Pacific Avenue, Eastman Avenue, and Gage Avenue. Since the preparation of the original EA, the 50,000 square-foot industrial building in the County of Los Angeles has been removed from the project.

Amendments to Environmental Assessment. The following text revisions update the EA to reflect the current proposal. Other than the revisions described below, the discussions in the May 2001 EA remain valid.

On Page 1, under "Project Location," the discussion is revised to read as follows:

The project involves two sites within the City of Commerce. The two sites are located at 4000 Noakes Street and 4209 Noakes Street. Figure 1 shows the regional location of the project, and Figure 2 shows the location of the project within the City of Commerce and unincorporated Los Angeles County.

On Page 1, under "Assessor's Parcel Numbers," the discussion is revised to read as follows:

5242-024-001 and 5242-018-003

On Page 1, under "Project Description," the discussion is revised to read as follows:

The proposed project involves the construction of a 70,000 square-foot refrigerated food processing building for manufacturing, packaging, and distribution at 4000 Noakes Street. A 175,000 square-foot food packaging building at 4209 Noakes Street will also be retained for food packaging.

On Page 2, under "Conformance With Comprehensive Plans and Zoning," the discussion is revised to read as follows:

The two parcels are zoned CMM2, Commercial Manufacturing with Heavy Manufacturing. The proposed project would be allowed under this designation (a).

On Page 2, under "Compatibility and Urban Impact," the discussion is revised to read as follows:

The two sites located on Noakes Street in the City of Commerce are bounded on all sides by industrial warehouses, industrial offices, or train tracks used for industrial loading and unloading of goods (b). The proposed project would not pose any

significant conflicts with the scale and type of the majority of surrounding development. The general project area contains numerous industrial facilities and the proposed project would be in keeping with the general land use pattern of the area (b).

On Page 3, under "Effects of Ambient Noise on Project and Contribution to Community Noise Levels," the discussion is revised to read as follows:

Project construction would generate short-term noise level increases. Local noise ordinances would apply.

Upon completion of construction, the resulting industrial facilities would generate noise through plant operation and track traffic to and from the sites. The existing food packaging facility at 4209 Noakes Street currently generates noise through plant and trucking activities, and no noticeable change in noise would be expected from that site. New development at 4000 Noakes Street may generate additional noise due to truck activity. However, the general vicinity of the project contains numerous industrial uses and noise resulting from industrial activities and truck traffic at the project sites would be expected to be minimal over existing conditions in the area.

The proposed project is an industrial facility and is not a noise-sensitive use; therefore, impacts relating to exposure to ambient noise would not be a concern.

These same changes would apply to the discussion under "Noise Abatement" on page 9.

On Pages 4 and 5, under "Displacement," the discussion is revised to read as follows:

The two sites on Noakes Street contain industrial facilities; therefore, site development would not displace residents.

On Pages 5 and 6, under "Storm Water," the discussion is revised to read as follows:

The sites currently contain industrial buildings with completely paved yards (b). Therefore, project development would not be expected to increase the amount of impervious surfaces onsite at the two sites. Storm drains would be installed on the site as part of project development and would be sized adequately to accommodate runoff from the site. The project would comply with local, state, and federal requirements pertaining to control of stormwater runoff. Significant impacts are not anticipated.

On Page 7, under "Transportation," the discussion is revised to read as follows:

The proposed project would generate a net increase of about 41 average daily vehicle trips (a). The project would contribute minimally to the overall traffic condition in the area and significant impacts to the area circulation system are not anticipated.

On Page 11, under "Summary of Findings and Conclusions," the discussion is revised to read as follows:

The proposed project involves the demolition of an existing truck repair and maintenance building at 4000 Noakes Street and construction of a 70,000 square foot refrigerated food processing building for manufacturing,

packaging, and distribution. The project also involves the acquisition of an existing 175,000 square foot building at 4209 Noakes Street, which will be retained in the same use as a food packaging facility. The project sites are zoned Industrial; the proposed project is allowed under this designation. Neighboring land uses consist of industrial and residential development. The proposed project would be compatible with the scale and visual character of the surrounding area. The project would be expected to incrementally increase noise levels above existing conditions, but would not generate any significant noise impacts.

No watercourses or water resources are located in the project area. No threatened or endangered wildlife was observed on the site. There is no evidence of soil or groundwater contamination at the sites; however, asbestos-containing materials and lead-based paint could be present in site structures.

The project would not significantly affect public facilities. Implementation of the project would create both short-term and long-term employment opportunities. The proposed project is not expected to disturb either historic or archaeological resources; nevertheless, if previously unidentified archaeological resources are identified during grading or construction, work will need to be temporarily suspended while the find is evaluated by a qualified archaeologist.

The proposed project would not consume substantial quantities of water or energy or generate substantial quantities of solid waste or wastewater. Nevertheless, water conservation measures and recycling facilities should be incorporated into project design. The project is located outside the 500-year flood area, indicating minimal flood potential in the area.

The project would conform to all applicable federal, state, and regional air pollution control regulations, both short- and long-term, and would not significantly affect local or regional air quality. The project would incrementally increase daily traffic volumes in the immediate area; however, project-generated traffic would not significantly affect local roadways.

The substantive changes to the "Summary of Findings and Conclusions" and "Summary of Environmental Conditions" also apply to "Basic Reasons Supporting Decision," on page 15.

On Page 12, under "Summary of Environmental Conditions," the discussion is revised to read as follows:

The project sites are currently occupied by industrial buildings. Vegetation consists of lawns, disturbed grasses, and trees. No special wildlife was observed onsite.

On page 14, under "References," reference a is revised to read as follows:

- a. City of Commerce, Initial Study: Contessa Foods, August 2004. (PRINTED)

**County of Los Angeles
Community Development Commission**

**NEGATIVE DECLARATION
CALIFORNIA ENVIRONMENTAL QUALITY ACT**

PROJECT TITLE: Commerce Industrial Center Development Project

PROJECT DESCRIPTION: The proposed project involves the construction of facilities for an industrial center at three different locations. A 70,000 square-foot refrigerated food processing building for manufacturing, packaging, and distribution will be constructed at 4000 Noakes Street. A 175,000 square-foot food processing building at 4209 Noakes Street will be retained for food processing. Finally, an approximately 50,000 square-foot industrial building used for manufacturing, packaging, and distribution of food products will be constructed on the parcels bordered by Union Pacific Avenue, Eastman Avenue, and Gage Avenue.

PROJECT LOCATION: The project involves three sites, two of which are located within the City of Commerce and one of which is located within unincorporated Los Angeles County, California. The two sites within the City of Commerce are located on Noakes Street, at 4000 Noakes Street and 4209 Noakes Street. The site within unincorporated Los Angeles County is located on a partial block bordered by Union Pacific Avenue, Eastman Avenue, and Gage Avenue.

MITIGATION MEASURES INCLUDED IN THE PROJECT TO AVOID POTENTIALLY SIGNIFICANT IMPACTS:

The following mitigation measures are required:

1. **Possible Onsite Hazards.** Prior to demolition of onsite structures, the following shall be implemented:
 - Testing for asbestos-containing materials and lead-based paint shall be conducted in all onsite structures. If asbestos-containing materials or lead-based paint are found, they shall be removed by a licensed contractor in accordance with applicable regulations of the South Coast Air Quality Management District.
2. **Historic, Cultural, and Archaeological Resources.** No archaeological resources are known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project's archaeological area of potential effect (APE) must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until

the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.

3. **Solid Waste Recycling.** Because of ongoing concerns about available landfill capacity, project design shall incorporate space for separate bins for waste and recyclable materials.
4. **Water Supply.** Because of ongoing concerns about regional water supplies, the following shall be incorporated into project design:
 - To the degree feasible, landscaped areas shall be designed with drought-tolerant species. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.
 - All new structures shall be fitted with water conserving fixtures, including, but not limited to, low flow faucets and toilets.
5. **Additional Modifications.** Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission (CDC) of Los Angeles County.

FINDING OF NO SIGNIFICANT EFFECT. Based on the attached NEPA Environmental Assessment, it has been determined that the project will not have a significant effect on the environment, provided that all suggested mitigation measures are incorporated.

HUD – NEPA – Environmental Assessment

Project Name: Commerce Industrial Center Development Project

HUD – NEPA- ENVIRONMENTAL ASSESSMENT

Project Name: Commerce Industrial Center Development Project

Project Location: The project involves three sites, two of which are located within the City of Commerce and one of which is located within unincorporated Los Angeles County, California. The two sites within the City of Commerce are located on Noakes Street, at 4000 Noakes Street and 4209 Noakes Street. The site within unincorporated Los Angeles County is located on a partial block bordered by Union Pacific Avenue, Eastman Avenue, and Gage Avenue. Figure 1 shows the regional location of the project, and Figure 2 shows the location of the project within the City of Commerce and unincorporated Los Angeles County.

Assessor's Parcel Number(s): 5242-24-001; 5242-018-003; and 5242-019-001 through 5242-019-14

Statement of Need: The project is consistent with the guidelines of the Community Development Block Grant (CDBG) program. The proposed project provides for the development of industrial center facilities.

Project Description: The proposed project involves the construction of facilities for an industrial center at three different locations. A 70,000 square-foot refrigerated food processing building for manufacturing, packaging, and distribution will be constructed at 4000 Noakes Street. A 175,000 square-foot food processing building at 4209 Noakes Street will be retained for food processing. Finally, an approximately 50,000 square-foot industrial building used for manufacturing, packaging, and distribution of food products will be constructed on the parcels bordered by Union Pacific Avenue, Eastman Avenue, and Gage Avenue.

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
Land Development							
Conformance With Comprehensive Plans and Zoning	X						The two parcels on Noakes Street in the City of Commerce are zoned CMM2, Commercial Manufacturing with Heavy Manufacturing. The parcels in unincorporated Los Angeles County (bounded by Eastman, Gage, and Union Pacific Avenues) are zoned LCM1, Light Manufacturing. The proposed project would be allowed under these designations (a).
Compatibility and Urban Impact	X						The two sites located on Noakes Street in the City of Commerce are bounded on all sides by industrial warehouses, industrial offices, or train tracks used for industrial loading and unloading of goods. The project site located in unincorporated Los Angeles County is bounded to the south and west by industrial uses and to the north and east by residential uses. To the north of the site in unincorporated Los Angeles County is a school and to the east are churches (b). The proposed project would not pose any significant conflicts with the scale and type of the majority of surrounding development. The proposed industrial buildings would not be completely compatible with the residential uses to the north and east of the site in unincorporated Los Angeles County. However, the existing uses on the site include a mechanic repair shop and a lot used for industrial truck parking. Therefore, the change in land use resulting from the proposed project would not be considerable. Additionally, the general project area contains numerous industrial facilities, and the proposed project would be in keeping with the general usage of the area (b).
Slope	X						The site is generally flat (b). The proposed development would not involve major topographic modifications or create any significant erosion or sedimentation problems.
Erosion	X						There is no evidence of any substantial erosion problems onsite (b).
Soil Suitability	X						There is no evidence of soil suitability problems on the project site (b). Routine soil tests would need to be conducted to determine foundation design parameters for new structures.
Hazards and Nuisances, Including Site Safety					X		A Phase I environmental site assessment was conducted for the 4209 Noakes Street site. The Phase I does not identify evidence of current or historical recognized environmental conditions that would indicate the presence of hazardous substances (c). For the 4000 Noakes Street site, a Phase I environmental site assessment was conducted in October/November 2004 and a follow-up Phase II environmental site assessment was completed in November/December 2004. The Phase I

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
							<p>assessment identified three recognized environmental conditions onsite; however, the Phase II assessment involved soil testing at these three locations and identified no concentrations of soil contaminants that exceeded regulatory action levels. Consequently, further investigation is not warranted.</p> <p>Existing buildings onsite are older and may include asbestos-containing materials (ACMs) and/or lead-based paint. If ACMs or lead-based paint are present in structures that are to be torn down, demolition could create health risks for construction workers and area residents. Demolition of the buildings will be required to comply with applicable laws and regulations regarding asbestos and paint removal.</p>
Energy Consumption	X						<p>Project operation would incrementally increase the consumption of electricity and natural gas. The resulting industrial facilities would be expected to increase energy usage over current conditions. However, because these resources are available both locally and regionally, no significant impact to the availability of energy resources is expected over the long-term. The project would comply with state energy conservation requirements.</p>
Noise							
Effects of Ambient Noise on Project and Contribution to Community Noise Levels			X				<p>Project construction would generate short-term noise level increases. Local noise ordinances would apply.</p> <p>Upon completion of construction, the resulting industrial facilities would generate noise through plant operation and truck traffic to and from the sites. The existing food processing facility at 4209 Noakes Street currently generates noise through plant and trucking activities, and no noticeable change in noise would be expected from that site. The sites at 4000 Noakes Street and on Union Pacific Avenue would result in increased noise. However, the general vicinity of the project contains numerous industrial uses, and noise resulting from industrial activities and truck traffic at the project sites would be expected to be minimal over existing conditions in the area.</p> <p>The proposed project is an industrial facility and is not a noise-sensitive use; therefore, impacts relating to exposure to ambient noise would not be a concern.</p>
Air Quality							

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
Effects of Ambient Air Quality on Project and Contribution to Community Air Pollutant Levels	X						<p>The project site is located in the South Coast Air Basin, which is a nonattainment area for ozone, carbon monoxide, and fine particulate matter (PM₁₀). Employees of the industrial facilities would therefore be exposed to potentially unhealthful ambient air because this regional condition cannot be feasibly mitigated. Traffic associated with the project would incrementally increase air pollutant emissions, but such emissions would not exceed locally adopted significance thresholds or hinder attainment of federal air quality standards (d).</p> <p>Existing South Coast Air Quality Management District (SCAQMD) regulations restrict the emissions of dust and fumes during construction and the project would be required to conform to these requirements.</p>
Environmental Design and Historic Values							
Visual Quality - Coherence, Diversity, Compatible Use, and Scale	X						<p>The project would involve the development of industrial facilities. The surrounding neighborhood consists of a mix of industrial facilities, single-family residential developments, a school, and churches (b). The completed project would result in industrial facilities neighboring the residential uses in the area. However, the placement of industrial uses near residential uses throughout the City of Commerce and general area is common and would be consistent with the visual context of the surrounding area.</p>
Historic, Cultural, and Archaeological Resources					X		<p>Historic and archaeological evaluations have been completed and are attached as appendices to this environmental assessment. The project is not expected to disturb either historic or archaeological resources; nevertheless, if previously unidentified archaeological resources are identified during grading or construction, work will need to be temporarily suspended while the find is evaluated by a qualified archaeologist.</p>
Socioeconomic Conditions							
Demographic/Character Changes	X						<p>The proposed project would create new industrial facilities and would not be expected to result in an increase in the population of the local community. Nor would the project be expected to change the demographic character of the area.</p>
Displacement	X						<p>The two project sites located on Noakes Street contain industrial facilities; therefore, displacement from these locations would not be of concern.</p> <p>The project site located on the partial block bounded by Union Pacific Avenue, Eastman Avenue, and Gage Avenue contains seven single-family residences, which appear to be currently occupied (b). Therefore, displacement of up to</p>

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
							about 28 people (assuming 4 people per unit) would occur. However, relocation assistance would be provided in accordance with state and federal requirements.
Employment and Income Patterns		X					The project would generate short-term employment opportunities during construction and long-term employment opportunities upon completion of the industrial buildings.
Community Facilities and Services							
Educational Facilities	X						The proposed project would not introduce children to the area. The proximity of the project to the elementary school on Union Pacific Avenue could incrementally increase noise levels at the school; however, the increase in noise would not significantly alter ambient noise conditions. The project would be required to pay school impact fees in accordance with SB 50 to mitigate potential impacts to area schools. Significant impacts to educational facilities are not anticipated.
Commercial Facilities	X						The proposed project would not affect commercial facilities.
Health Care	X						The proposed project would not affect access to health care.
Social Services	X						The proposed project would not affect social services.
Solid Waste					X		Construction activity would generate solid waste in the short-term. All construction activity would be required to implement local policies concerning recycling/reuse of construction wastes. The proposed project would increase the generation of solid waste over existing conditions. This increase is not expected to significantly affect area landfills. Nevertheless, because of ongoing concerns about regional landfill capacity, project design should accommodate solid waste recycling.
Waste Water	X						The proposed project would incrementally increase wastewater generation. However, since the project would be consistent with the land use designations for the site, it is anticipated that wastewater infrastructure has been sized to accommodate industrial development similar to that proposed.
Storm Water	X						The sites located on Noakes Street currently contain industrial buildings with completely paved yards. The project site located on Union Pacific Avenue contains seven single-family homes, two truck lots, and a mechanic shop. The houses and parking lots include unpaved yards and park space (b). Project development would not increase the amount of impervious surfaces onsite at the two sites on Noakes Street, and would only slightly increase impervious surface at the site on Union Pacific

HUD – NEPA – Environmental Assessment

Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
							Avenue due to an increased number of buildings and decreased unpaved yard space, which could contribute to an incremental increase in runoff and a decrease in water quality. However, storm drains would be installed on the site as part of project development and would be sized adequately to accommodate runoff from the site. The project would comply with local, state, and federal requirements pertaining to control of stormwater runoff. Therefore, significant impacts are not anticipated.
Water Supply					X		Water service would be provided by California Water Service Company, East Los Angeles District (e). The project would incrementally increase water consumption as compared to the current use but is not expected to significantly affect water supply. Nevertheless, because of ongoing concerns about water supply in the Southern California region, water conservation measures shall be incorporated into the design of the project.
Public Safety Police	X						The Los Angeles County Sheriff's Department's East Los Angeles station provides police protection services in the project vicinity (f). The station is located at 5019 E. Third Street in East Los Angeles, approximately three miles from the proposed project site (g). The proposed project would incrementally increase the demand for police protection services. However, this increase would be nominal and no adverse impacts to police services are expected by the Department (f).
Fire	X						The Los Angeles County Fire Department Station 22 would provide fire protection, paramedic, and emergency medical technician services to the project site. The station is located at 928 S. Gerhart Avenue, in the City of Commerce (h), approximately 2.5 miles east of the project site (g). The proposed project would incrementally increase the demand for fire protection services; however, assuming compliance with Fire Department requirements, no adverse impacts to fire protection services are anticipated from development of the project.
Emergency Medical	X						The Los Angeles County Fire Department would provide emergency medical services. Emergency victims would be taken to the Los Angeles Community Hospital emergency room, which is approximately 0.5 miles from the project site, or the Mission Hospital emergency room, which is approximately 6.5 miles away (h). No adverse impacts to emergency medical services are anticipated.
Open Space And Recreation Open Space	X						The project would not adversely affect any areas designated as public open space.
Recreation	X						Nearby recreational areas include Bristow Park, approximately 3.5 miles to the east, and Salazar Park,

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
							approximately 2 miles to the north (g). The proposed project is not expected to result in adverse impacts to these facilities.
Cultural Facilities	X						The proposed project would not adversely affect any cultural facilities (b).
Transportation	X						The proposed project would generate a net increase of about 113 average daily vehicle trips (i). This would incrementally increase traffic on roadways in the project vicinity, but is less than the 500-trip threshold at which the County of Los Angeles normally requires a traffic study. The project would contribute minimally to the overall traffic condition in the area and significant impacts to the area circulation system are not anticipated.
Natural Features							
Water Resources	X						The proposed project would not affect water resources (b).
Surface Water	X						No surface water is located onsite (b). Therefore, no impacts to surface water would occur.
Watercourses	X						There are no watercourses within the vicinity of the project area (b). No impact to watercourses is anticipated.
Unique Natural Features and Agricultural Lands	X						The proposed project would not affect any natural features. No active agricultural lands or agriculturally zoned lands are present within the project area (b).
Vegetation and Wildlife	X						The project site is in a highly urbanized area. No important biotic communities exist and no special wildlife was observed onsite (b). Therefore, the project would not significantly affect vegetation or wildlife.
Long-Term Effects							
Growth-Inducing Impacts	X						The proposed project would provide industrial facilities in an urbanized area. Thus, the project would not be expected to induce population growth.
Cumulative Effects	X						The proposed project would provide industrial facilities development in a highly urbanized and industrial area. While it would increase the intensity of industrial usage in the project area, it would not result in any significant impacts that would be cumulatively considerable.

HUD – NEPA – Environmental Assessment

Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

Area of Statutory/ Regulatory Compliance	Not Applicable To this Project	Consultation Required and Completed	Permits Required and Obtained	Project Consistent with Applicable Policies	Conditions and/or Mitigation Actions Required	Note Compliance Documentation
1. Historic Properties 36 CFR 800 (CDBG) 36 CFR 801 (UDAG)					X	Historic and archaeological assessments have been conducted and are attached as appendices to this environmental assessment. Though archaeological resources are not known onsite, work should be halted temporarily in the event that as yet undiscovered resources are uncovered during grading.
2. Floodplain Management 42 FR 26951	X					The project site is located within flood zone X, FEMA panel 065043-0940C, indicating minimal flood potential, as the project lies outside the 500-year flood zone (k).
3. Wetlands Protection 42 FR 26951	X					No wetlands are located on or near the project site (b).
4. Coastal Zone Plan 16 U.S.C. 1451	X					The project site is not located in a coastal zone (g).
5. Sole Source Aquifers 42 U.S.C. 201, 300(g) and 21 U.S.C. 349	X					No impact to primary drinking water sources is anticipated.
6. Endangered Species 16 U.S.C. 1531	X					The project site is in a highly urbanized area. No endangered species are located in the area.
7. Wild and Scenic Rivers 16 U.S.C. 1271	X					No wild or scenic rivers are located in the site vicinity (b).
8. Air Quality Protection 42 U.S.C. 7401	X					The project site is located in the South Coast Air Basin, which is a nonattainment area for ozone, carbon monoxide, and fine particulate matter (PM ₁₀). Project users would therefore be exposed to potentially unhealthful ambient air because this regional condition cannot be feasibly mitigated. Traffic associated with the project would incrementally increase air pollutant emissions, but such emissions would not exceed locally adopted thresholds or hinder attainment of federal air quality standards (d). Existing SCAQMD regulations restrict the emissions of dust and fumes during construction and the project would be required to conform to these requirements.
9. Farmland Protection 7 U.S.C. 4201	X					No agricultural uses are located onsite or in the vicinity of the project (b).
10. Environmental Justice Executive Order 12898	X					The project would provide additional employment opportunities in the community during construction and long-term usage. The project would not expose low-income or minority populations to any environmental justice concerns.

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

Area of Statutory/ Regulatory Compliance	Not Applicable To this Project	Consultation Required and Completed	Permits Required and Obtained	Project Consistent with Applicable Policies	Conditions and/or Mitigation Actions Required	Note Compliance Documentation
11. HUD Environmental Standards, 24 CFR 51 as amended						
a. Noise Abatement 24 CFR 51B	X					<p>Project construction would generate short-term noise level increases. Local noise ordinances would apply.</p> <p>Upon completion of construction, the resulting industrial facilities would generate noise through plant operation and track traffic to and from the sites. The existing food processing facility at 4209 Noakes Street generates noise through plant and trucking activities, and no noticeable change in noise would be expected. The general vicinity of the project contains numerous industrial uses, and noise resulting from industrial activities and truck traffic at the proposed project sites would be expected to be minimal over existing conditions in the area.</p> <p>The proposed project is an industrial facility and is not a sensitive receptor; therefore, impacts of local noise on the project would not be a concern.</p>
b. Landfill Hazards CPD Letter 79-33	X					The project site is not subject to any known landfill hazards (b).
c. Upset Hazards 24 CFR 51B	X					The project site is not subject to any known upset hazards, nor would the proposed use create any significant upset hazards (b).
d. Flammable Oper. 24 CFR 51C	X					The project site is not subject to any known flammable operations or explosives (b).

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

Area of Statutory/ Regulatory Compliance	Not Applicable To this Project	Consultation Required and Completed	Permits Required and Obtained	Project Consistent with Applicable Policies	Conditions and/or Mitigation Actions Required	Note Compliance Documentation
e. Toxic/Radioactivity HUD Notice 79-33					X	<p>A Phase I environmental site assessment was conducted for the 4209 Noakes Street site. The Phase I does not identify evidence of current or historical recognized environmental conditions that would indicate the presence of hazardous substances (c).</p> <p>For the 4000 Noakes Street site, a Phase I environmental site assessment was conducted in October/November 2004 and a follow-up Phase II environmental site assessment was completed in November/December 2004. The Phase I assessment identified three recognized environmental conditions onsite; however, the Phase II assessment involved soil testing at these three locations and identified no concentrations of soil contaminants that exceeded regulatory action levels. Consequently, further investigation is not warranted.</p> <p>Existing buildings onsite are older and may include asbestos-containing materials (ACMs) and/or lead-based paint. If ACMs or lead-based paint are present in structures that are to be torn down, demolition could create health risks for construction works and area residents. Demolition of the buildings will be required to comply with applicable laws and regulations regarding asbestos and paint removal.</p>
f. Airport Clear Zones 24 CFR 51D	X					The project site is not in an airport clear zone (g).

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Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

Summary of Findings and Conclusions:

The proposed project involves the expansion of an industrial center on Noakes Street in the City of Commerce to include demolition of an existing truck repair and maintenance building at 4000 Noakes Street and construction of a 70,000 square foot refrigerated food processing building for manufacturing, packaging, and distribution. The project also involves the acquisition of an existing 175,000 square foot building at 4209 Noakes Street, which will be retained in the same use as a food processing facility. Finally, the project involves acquisition of several parcels bordered by Union Pacific Avenue, Eastman Avenue, and Gage Avenue in unincorporated Los Angeles County. The existing buildings (which consist of seven single-family and multi-family homes, a mechanic repair shop, and two empty lots for truck parking) will be demolished and replaced with an approximately 50,000 square foot industrial building, which will also be used for manufacturing, packaging, and distribution of food products. The project sites are zoned Industrial; the proposed project is allowed under this designation. Neighboring land uses consist of industrial and residential development. The proposed project would be compatible with the scale and visual character of the surrounding area. The project would be expected to increase noise levels above existing conditions, but would not generate any significant noise impacts.

Seven currently occupied single-family/multi-family residences would be demolished and removed to allow project construction. Relocation assistance would be provided to displaced residents in accordance with state and federal requirements.

No watercourses or water resources are located in the project area. No threatened or endangered wildlife was observed on the site. There is no evidence of soil or groundwater contamination at the sites; however, asbestos-containing materials and lead-based paint could be present in site structures.

The project would not significantly affect public facilities. Implementation of the project would create both short-term and long-term employment opportunities. The proposed project is not expected to disturb either historic or archaeological resources; nevertheless, if previously unidentified archaeological resources are identified during grading or construction, work will need to be temporarily suspended while the find is evaluated by a qualified archaeologist.

The proposed project would not consume substantial quantities of water or energy or generate substantial quantities of solid waste or wastewater. Nevertheless, water conservation measures and recycling facilities should be incorporated into project design. The project is located outside the 500-year flood area, indicating minimal flood potential in the area.

The project would conform to all applicable federal, state, and regional air pollution control regulations, both short- and long-term, and would not significantly affect local or regional air quality. The project would incrementally increase daily traffic volumes in the immediate area; however, project-generated traffic would not significantly affect local roadways.

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Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

Summary of Environmental Conditions:

The project sites are currently occupied by industrial buildings, seven single-family/multi-family homes, truck parking lots, and a mechanic repair shop. Vegetation consists of lawns, disturbed grasses, and trees. No special wildlife was observed onsite.

Project Modifications and Alternatives Considered:

No unavoidably significant impacts were identified for the proposed project. Therefore, project alternatives or modifications have not been considered.

Mitigation Measures Required:

The following mitigation measures are required:

1. **Possible Onsite Hazards.** Prior to demolition of onsite structures, the following shall be implemented:
 - Testing for asbestos-containing materials and lead-based paint shall be conducted in all onsite structures. If asbestos-containing materials or lead-based paint are found, they shall be removed by a licensed contractor in accordance with applicable regulations of the South Coast Air Quality Management District.
2. **Historic, Cultural, and Archaeological Resources.** No archaeological resources are known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project's archaeological area of potential effect (APE) must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.
3. **Solid Waste Recycling.** Because of ongoing concerns about available landfill capacity, project design shall incorporate space for separate bins for waste and recyclable materials.
4. **Water Supply.** Because of ongoing concerns about regional water supplies, the following shall be incorporated into project design:
 - To the degree feasible, landscaped areas shall be designed with drought-tolerant species. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.
 - All new structures shall be fitted with water conserving fixtures, including, but not limited to, low flow faucets and toilets.

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Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

- 5. Additional Modifications.** Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission (CDC) of Los Angeles County.

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

References:

- a. Los Angeles Department of Regional Planning web site, <<http://planning.co.la.ca.us>> (ELECTRONIC)
- b. Meighan Jackson, Rincon Consultants, Site Visit, November 4, 2004. (FIELD)
- c. Targhee, Inc., *Phase I Environmental Site Assessment Report, Huhtamaki Oy, 4209 Noakes Street, Commerce, California 90023*. July 14, 2004. (PRINTED)
- d. South Coast Air Quality Management District (November 1999), CEQA Air Quality Handbook. (PRINTED)
- e. City of Commerce, personal communication, November 5, 2004. (CONTACT)
- f. Los Angeles County Sheriff's Department, personal communication, November 5, 2004. (CONTACT)
- g. Thomas Brothers Maps, Los Angeles and Orange Counties, 2004. (PRINTED)
- h. Los Angeles County Fire Department, personal communication, November 5, 2004. (CONTACT)
- i. Institute of Transportation Engineers, Trip Generation, 6th Edition, 1997. (PRINTED)
- j. Targhee, Incorporated, Phase I Environmental Site Assessment, 4000 Noakes Street, Commerce, California, November 1, 2004. (PRINTED)
- k. Targhee, Incorporated, Phase II Subsurface Soil Investigation Report, City of Commerce, California, December 2, 2004. (PRINTED)

HUD – NEPA - Environmental Assessment

Project Name: Commerce Industrial Center Development Project

1. Is the project in compliance with applicable laws and regulations? ☒ Yes ☐ No
2. Is an EIS required? ☐ Yes ☒ No
3. A Finding of No Significant Impact (FONSI) can be made. The project will not significantly affect the quality of the human environment. ☒ Yes ☐ No

Basic Reasons Supporting Decision:

The proposed project involves the expansion of an industrial center on Noakes Street in the City of Commerce to include demolition of an existing truck repair and maintenance building at 4000 Noakes Street and construction of a 70,000 square foot refrigerated food processing building for manufacturing, packaging, and distribution. The project also involves the acquisition of an existing 175,000 square foot building at 4209 Noakes Street, which will be retained in the same use as a food processing facility. Finally, the project involves acquisition of several parcels bordered by Union Pacific Avenue, Eastman Avenue, and Gage Avenue in unincorporated Los Angeles County. The existing buildings (which consist of seven single-family and multi-family homes, a mechanic repair shop, and two empty lots for truck parking) will be demolished and replaced with an approximately 50,000 square foot industrial building, which will also be used for manufacturing, packaging, and distribution of food products. The project sites are zoned Industrial; the proposed project is allowed under this designation. Neighboring land uses consist of industrial and residential development. The proposed project would be compatible with the scale and visual character of the surrounding area. The project would be expected to increase noise levels above existing conditions, but would not generate any significant noise impacts.

Seven currently occupied single-family/multi-family residences would be demolished and removed to allow project construction. Relocation assistance would be provided to displaced residents in accordance with state and federal requirements.

No watercourses or water resources are located in the project area. No threatened or endangered wildlife was observed on the site. There is no evidence of soil or groundwater contamination at the sites; however, asbestos-containing materials and lead-based paint could be present in site structures.

The project would not significantly affect public facilities. Implementation of the project would create both short-term and long-term employment opportunities. The proposed project is not expected to disturb either historic or archaeological resources; nevertheless, if previously unidentified archaeological resources are identified during grading or construction, work will need to be temporarily suspended while the find is evaluated by a qualified archaeologist.

The proposed project would not consume substantial quantities of water or energy or generate substantial quantities of solid waste or wastewater. Nevertheless, water conservation measures and recycling facilities should be incorporated into project design. The project is located outside the 500-year flood area, indicating minimal flood potential in the area.

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Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

The project would conform to all applicable federal, state, and regional air pollution control regulations, both short- and long-term, and would not significantly affect local or regional air quality. The project would incrementally increase daily traffic volumes in the immediate area; however, project-generated traffic would not significantly affect local roadways.

The following mitigation measures are required:

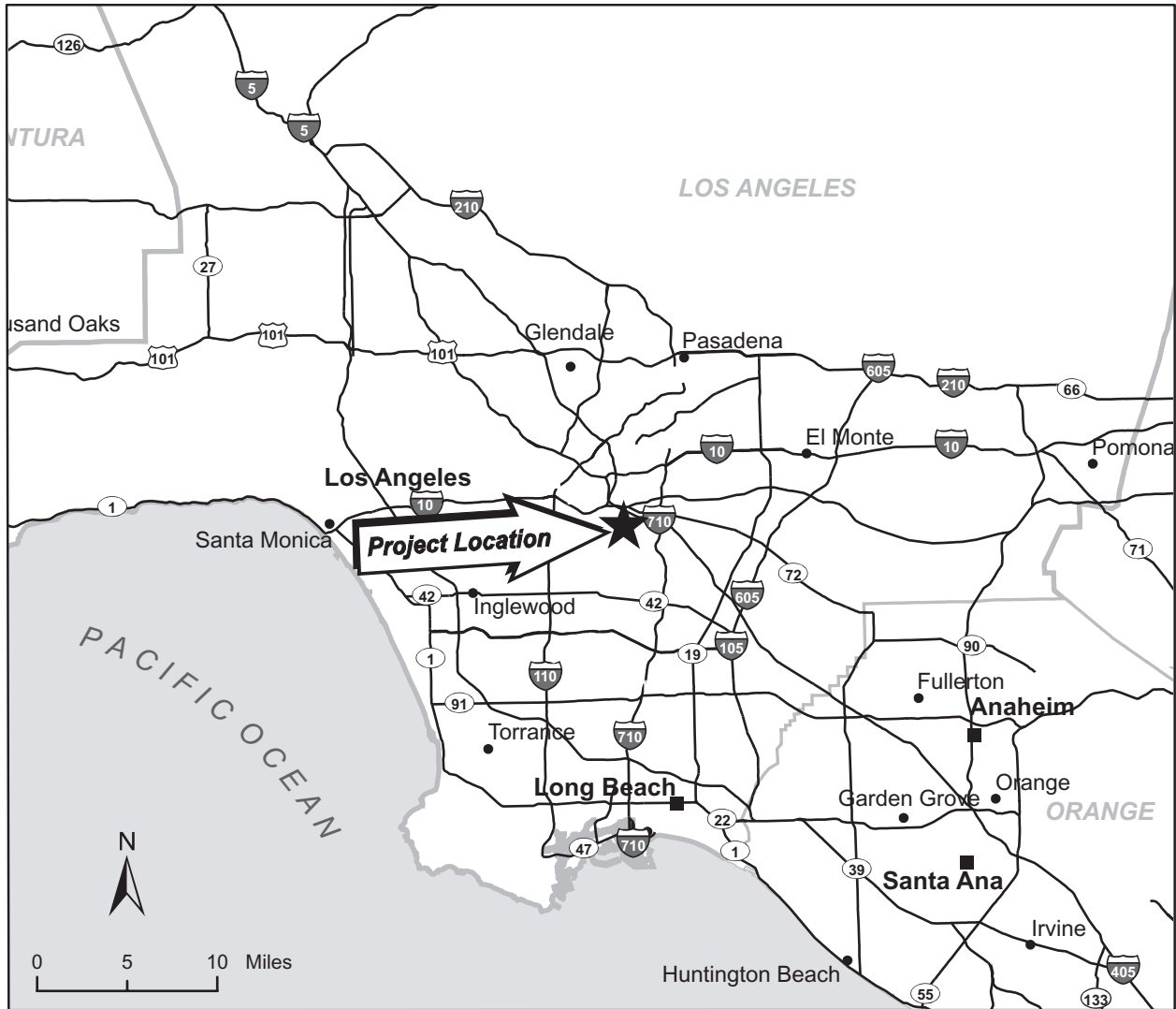
1. **Possible Onsite Hazards.** Prior to demolition of onsite structures, the following shall be implemented:
 - Testing for asbestos-containing materials and lead-based paint shall be conducted in all onsite structures. If asbestos-containing materials or lead-based paint are found, they shall be removed by a licensed contractor in accordance with applicable regulations of the South Coast Air Quality Management District.
2. **Historic, Cultural, and Archaeological Resources.** No archaeological resources are known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project's archaeological area of potential effect (APE) must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.
3. **Solid Waste Recycling.** Because of ongoing concerns about available landfill capacity, project design shall incorporate space for separate bins for waste and recyclable materials.
4. **Water Supply.** Because of ongoing concerns about regional water supplies, the following shall be incorporated into project design:
 - To the degree feasible, landscaped areas shall be designed with drought-tolerant species. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.
 - All new structures shall be fitted with water conserving fixtures, including, but not limited to, low flow faucets and toilets.
5. **Additional Modifications.** Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission (CDC) of Los Angeles County.

The proposed project is not expected to contribute to significant impacts to the environment and a Finding of No Significant Impact can be made.

HUD - NEPA - Environmental Assessment

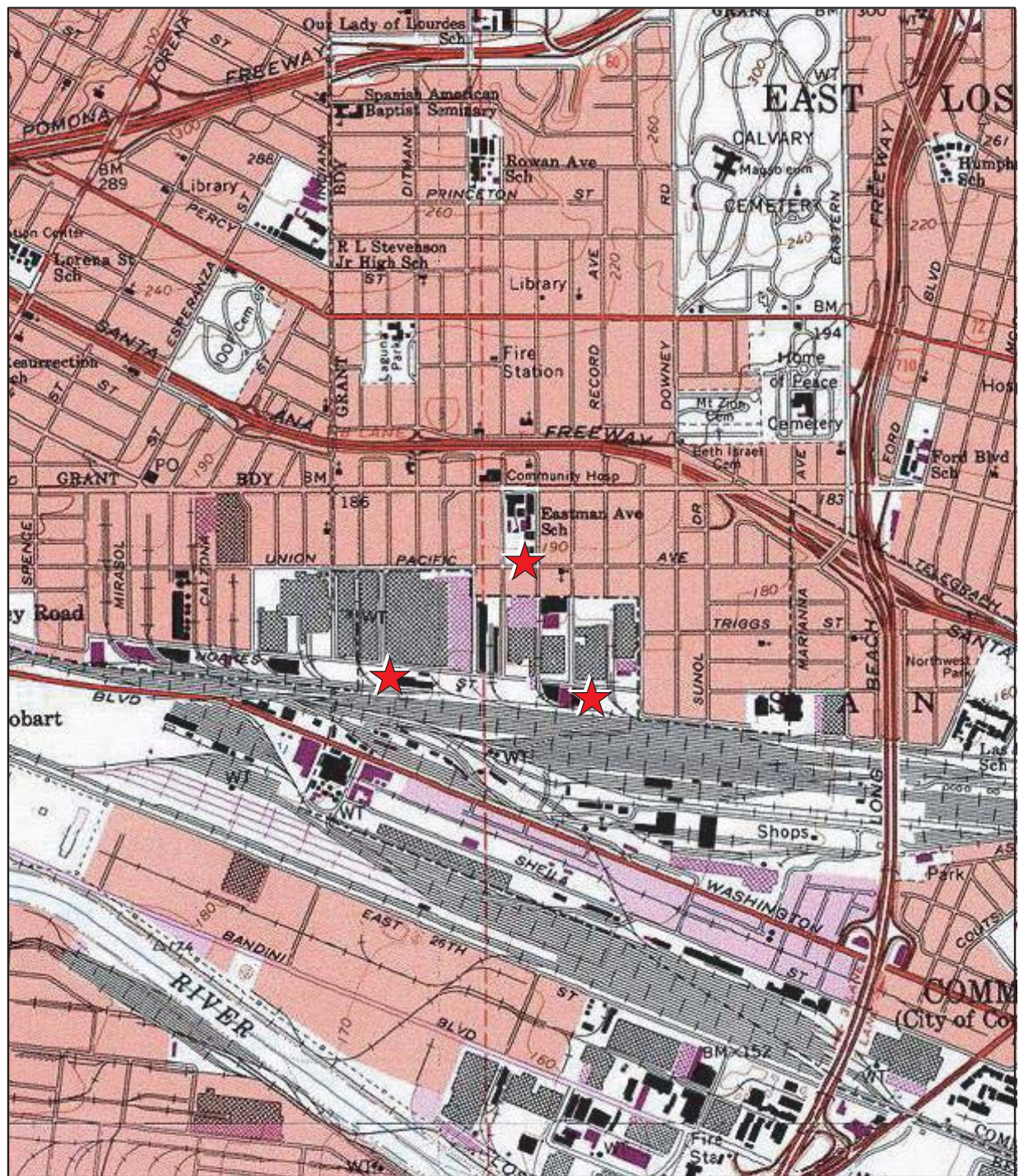
Project Name and Identification Number: Avalon Phase II Housing Development Project / HMD001

Prepared by:	<u>Meighan Jackson, MESM</u>	Title:	<u>Associate Planner/Biologist</u>
Date:	<u>November 5, 2004</u>		
Concurred in:	<u>Donald Dean</u>	Title:	<u>Environmental Officer, Community Development Commission of the County of Los Angeles</u>
Date:	<u>November 5, 2004</u>		



Regional Location Map

Figure 1



Source: National Geographic TOPO! Los Angeles, CA 1991.

★ Project Sites



Scale in Miles



Project Site Location

Figure 2
LACDC



Photo 1 - South-facing view of eastern warehouse building at 4000 Noakes Street.



Photo 2 - East-facing view of eastern warehouse building, parking lot, and small office building at 4000 Noakes Street.



Photo 3 - South-facing view of storage containers and barrels on parking lot of eastern warehouse building at 4000 Noakes St.

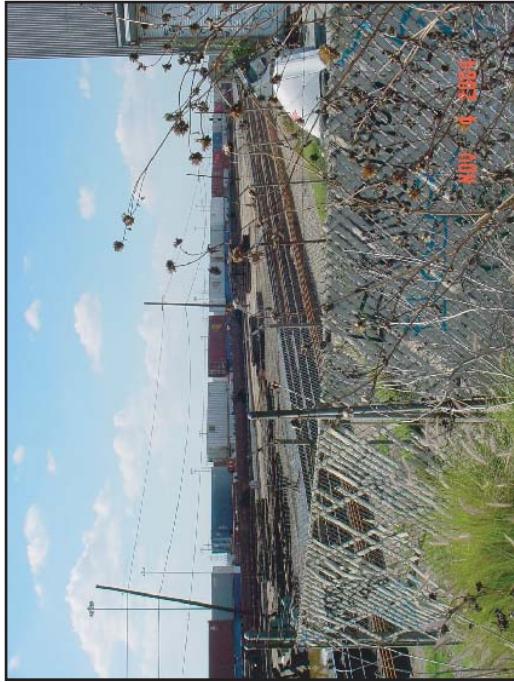


Photo 4 - Southwest-facing view of train tracks behind eastern warehouse building at 4000 Noakes Street.

Site Photographs - Eastern warehouse building at 4000 Noakes Street, November 4, 2004

Figure 3



Photo 1 - Southeast-facing view of western warehouse building at 4000 Noakes Street.



Photo 2 - East-facing view of western warehouse building and parking lot at 4000 Noakes Street, taken from adjacent lot.



Photo 3 - South-facing view of storage containers and barrels on parking lot of western warehouse building at 4000 Noakes St.



Photo 4 - South-facing view of fence and vegetation in front of warehouse buildings at 4000 Noakes Street.

Site Photographs - Western warehouse building at 4000 Noakes Street, November 4, 2004

Figure 4

LACDC



Photo 1 - East-facing view at 4000 Noakes Street with trucks lining the side of the road across the street from the project site.



Photo 2 - East-facing view of the truck lot on the property adjacent to the 4000 Noakes Street project site .



Photo 3 - West-facing view of the truck lot on the property adjacent to the 4000 Noakes Street project site.

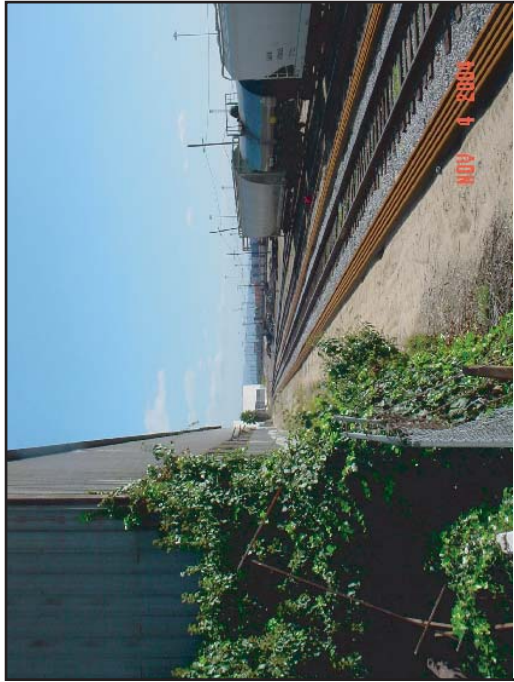


Photo 4 - East-facing view of train tracks behind the warehouse buildings at 4000 Noakes Street.

Site Photographs - Surrounding land uses at 4000 Noakes Street, November 4, 2004

Figure 5

LACDC



Photo 1 - East-facing view of food processing building at 4209 Noakes Street.



Photo 2 - Northwest-facing view of food processing building at 4209 Noakes Street.



Photo 3 - Southeast-facing view of food processing building at 4209 Noakes Street.



Photo 4 - East-facing view of parking lot behind food processing buildings at 4209 Noakes Street.



Photo 1 - South-facing view of offices and warehouse across the street from the project site at 4209 Noakes Street.



Photo 2 - North-facing view of warehouse adjacent to the east of the project site at 4209 Noakes Street.



Photo 3 - West-facing view of offices and warehouse adjacent to the west of the project site at 4209 Noakes Street.



Photo 4 - East-facing view of residences to the north of the project site at 4209 Noakes Street.

Site Photographs - Surrounding land uses at 4209 Noakes Street, November 4, 2004



Photo 1 - East-facing view of residence at project site bordered by Union Pacific, Eastman, and Gage Avenues.



Photo 2 - East-facing view of residence at project site bordered by Union Pacific, Eastman, and Gage Avenues.



Photo 3 - East-facing view of truck lot at project site bordered by Union Pacific, Eastman, and Gage Avenues.



Photo 4 - South-facing view of mechanic shop at project site bordered by Union Pacific, Eastman, and Gage Avenues.

Site Photographs - Project site bordered by Union Pacific,
Eastman, and Gage, November 4, 2004



Photo 1 - South-facing view of entrance to Dart trucking company warehouses on Eastman Avenues.



Photo 2 - West-facing view of Dart truck parking lot on Eastman Avenue, across the street from the project site.



Photo 3 - Northeast-facing view of elementary school on Union Pacific Avenue, across the street from the project site.



Photo 4 - Southwest-facing view of church on Union Pacific Avenues, across the street from the project site.

Site Photographs - Land uses surrounding site
bordered by Union Pacific, Eastman, and Gage, November 4, 2004



**CONEJO
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2321 Goldsmith Avenue
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805/494-4309
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November 5, 2004

Mr. Joe Power
Rincon Consultants, Inc.
790 E. Santa Clara St.
Ventura, CA 93001

Subject: CDC – Commerce Industrial Center Project

Dear Mr. Power:

Archaeological investigations consisting of a project description review, record search and site visit have been completed for the Commerce Industrial Center Project, which consists of three separate locations and covers a total area of approximately 12 acres (Exhibits 1, 2a, b, c & 3). The first component of the project consists of the expansion of an industrial center located at 4000 Noakes Street in the City of Commerce, Los Angeles County. This portion of the project will include the demolition of an existing truck repair and maintenance building and the construction of a 70,000 square foot refrigerated food processing building for manufacturing, packaging and distribution. The second component of the project includes the acquisition of an existing 175,000 square foot building at 4209 Noakes Street also in the City of Commerce, which will be retained in the same use as a food processing facility. In addition, the project involves the acquisition of several parcels bordered by Union Pacific Avenue, Eastman Avenue and Gage Avenue in unincorporated Los Angeles County. The existing buildings, which include single-family and multi-family residences and some commercial/industrial structures, will be demolished and replaced with an approximate 50,000 square foot industrial building that will also be used for manufacturing, packaging and distribution of food products.

Based on the South Central Coastal Information Center record search findings in combination with Conejo Archaeological Consultants (Conejo) field visit and the extent of previous ground disturbance throughout all three APE locations, the proposed Commerce Industrial Center Project is expected to have no effect on archaeological resources and no further archaeological investigation is warranted at this time. A description of the project's three locations along with the background research results, site visit findings and project recommendations are presented below:

Project Locations

The project's area of potential effect (APE) is divided into three locations, all of which are located in Township 1S Range 12W, of the USGS 7.5' Los Angeles Quadrangle, 1966, photorevised 1981. The first APE is located at 4000 Noakes Street (APN 5242-024-001) and covers approximately three acres (Exhibit 2a). The second APE is located at 4209 Noakes Street (APN 5242-018-003) and covers approximately 7.7 acres (Exhibit 2b). Covering approximately 2.2 acres, the third APE is bounded by Union Pacific Avenue to the north, Gage Avenue to the east, industrial buildings to the south, and Eastman Avenue to the west, and includes APNs 5242-019-001, 002, 003, 004, 005, 006, 007, 008, 009, 010, 011, 012, 013, & 014 (Exhibit 2c). All three project APE locations are completely developed with industrial, commercial and/or residential uses. The general project area is relatively flat and sits at an elevation of approximately 55 meters (180 ft.) above mean sea level.

Background Research

South Central Coastal Information Center

A record search was conducted at the South Central Coastal Information Center housed at CSU Fullerton on October 28, 2004. The record search identified no prehistoric sites or historic archaeological sites within a 0.5-mile radius of the project's three APEs. The Union Pacific Railroad, which is located just south of the 4000 Noakes Street project APE, is recorded as "built environment" historic resource No. 186112. The proposed project will not impact the Union Pacific Railroad. Six archaeological surveys have been conducted within a 0.5-mile radius of the project APE, none of which included or were adjacent to the project APE.

Federal, State & Local Historic Listings

The listings of the National Register of Historic Places (NRHP), California Historical Landmarks, and California Points of Historical Interest include no properties within or adjacent to the project APE (National Park Service 2004; Office of Historic Preservation 2004a & 1992). The California State Historic Resources Inventory lists no significant historical properties within or adjacent to the project APE (Office of Historic Preservation 2004b). The City of Commerce lists no historic landmarks within or adjacent to the project APE (Blogett/Baylosis Associates 1998).

Targhee, Inc. completed a Phase I Environmental Site Assessment of 4209 Noakes Street in 2004, which included a review of historic Sanborn Fire Insurance Maps, USGS topographic quadrangles and aerial photographs. In summary, Targhee, Inc. determined that the property at 4209 Noakes Street was undeveloped in 1928. In 1950 the subject site was occupied by a portion of a Federal Housing Project. In 1954 a building permit was issued to Sealright for a 120,000 square foot concrete tilt-up manufacturing facility. In 1957, a building permit was issued to Sealright for a 54,000 square foot warehouse addition.

Review of the Los Angeles County Assessor Records indicates that the residences located between Gage Avenue and Eastman Avenue were built between 1922 and 1948 and that the structures at 4000 Noakes Street were constructed between 1953 and 1960. The 1926 Alhambra 15' USGS Quadrangle shows homes in the APE area located between Eastman Avenue and Gage Avenue, but no development is shown at 4000 Noakes Street.

Site Visit

A project site visit was conducted on October 28, 2004. An archaeological survey of the 4000 and 4209 Noakes Street APEs was not conducted as both locations are virtually entirely paved or built over. The third APE location (Exhibit 2c) included both residences and commercial structures, and two large paved parking lots. For this APE location archaeological survey was limited to three meter (10 ft.) transects in accessible residential yards. No indication of prehistoric or historic resources was noted in the residential yards. However as the surveyed area represented only a small portion of the APE, the survey findings are inconclusive as to the presence or absence of cultural resources. The ground surface throughout the project's three APE locations has been extensively disturbed by grading and construction activity.

Historian Judy Triem is conducting a Section 106 Evaluation of the project's built environment.

Recommendations

The proposed Commerce Industrial Center Project is expected to have no effect on prehistoric or historic archaeological resources for the following reasons.

- No prehistoric or historic archaeological sites are recorded within a 0.5-mile radius of the project site.

- The ground surface throughout the project site has been extensively disturbed by grading and trenching associated with the construction of the existing industrial, commercial and residential structures, thereby reducing the likelihood of intact significant archaeological resources occurring within the project APE.

Therefore, no further archaeological investigation is warranted at this time as long as the following recommendations are incorporated as conditions of project approval.

1. In the event that archaeological resources are exposed during project construction, all earth disturbing work within 100 meters (333 ft.) of the find must be temporarily suspended or redirected until an archaeologist has evaluated the nature and significance of the find. After the find has been appropriately mitigated, work in the area may resume.
2. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98.

Please call me at (805) 494-4309 if you have any questions. Thank you for using Conejo Archaeological Consultants for your cultural resource management needs.

Sincerely,



Mary K. Maki, M.A., RPA
Archaeologist

Sources Cited

Blogett/Baylosis Associates

1998 Draft Environmental Impact Report for the Project Area No. 4
Redevelopment Plan, April 1998.

National Park Service

2004 National Register of Historic Places.
<http://www.cr.nps.gov/nr/research/nris.htm>. Department of the Interior.

Office of Historic Preservation

2004a California Historical Landmarks.
http://ceres.ca.gov/geo_area/counties/LosAngeles/landmarks.html.
Department of Parks and Recreation, Sacramento, California.

2004b Directory of Properties in the Property Data File for Los Angeles County.
Department of Parks and Recreation, Sacramento, California, 08-03-04.

1992 *California Points of Historical Interest*. Department of Parks and
Recreation, Sacramento, California.

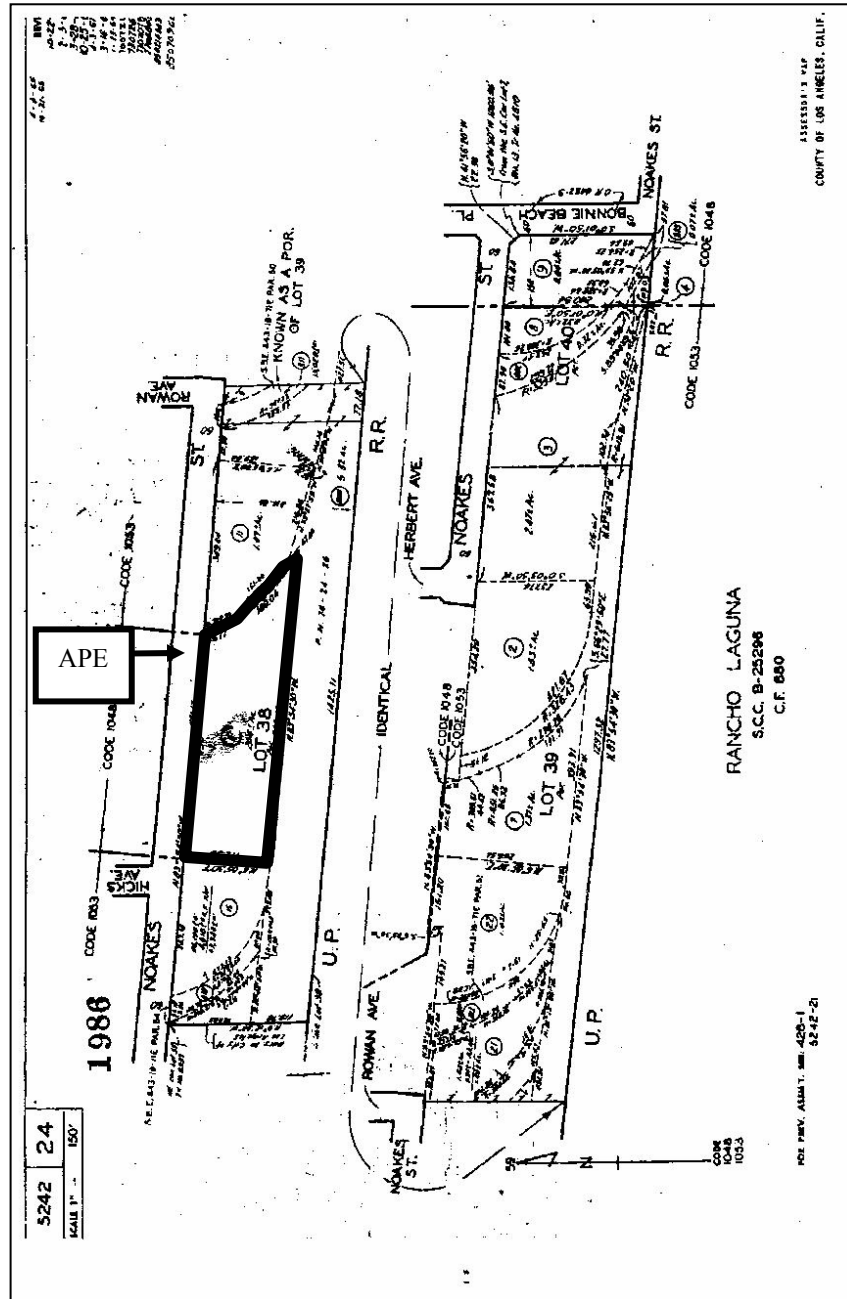
Targhee, Inc.

2004 Phase I Environmental Site Assessment Report, 4209 Noakes Street,
Commerce, California 90023. Prepared for Dart Transportation Service.



PROJECT VICINITY MAP
COMMECE INDUSTRIAL CENTER PROJECT
Commerce, Los Angeles County

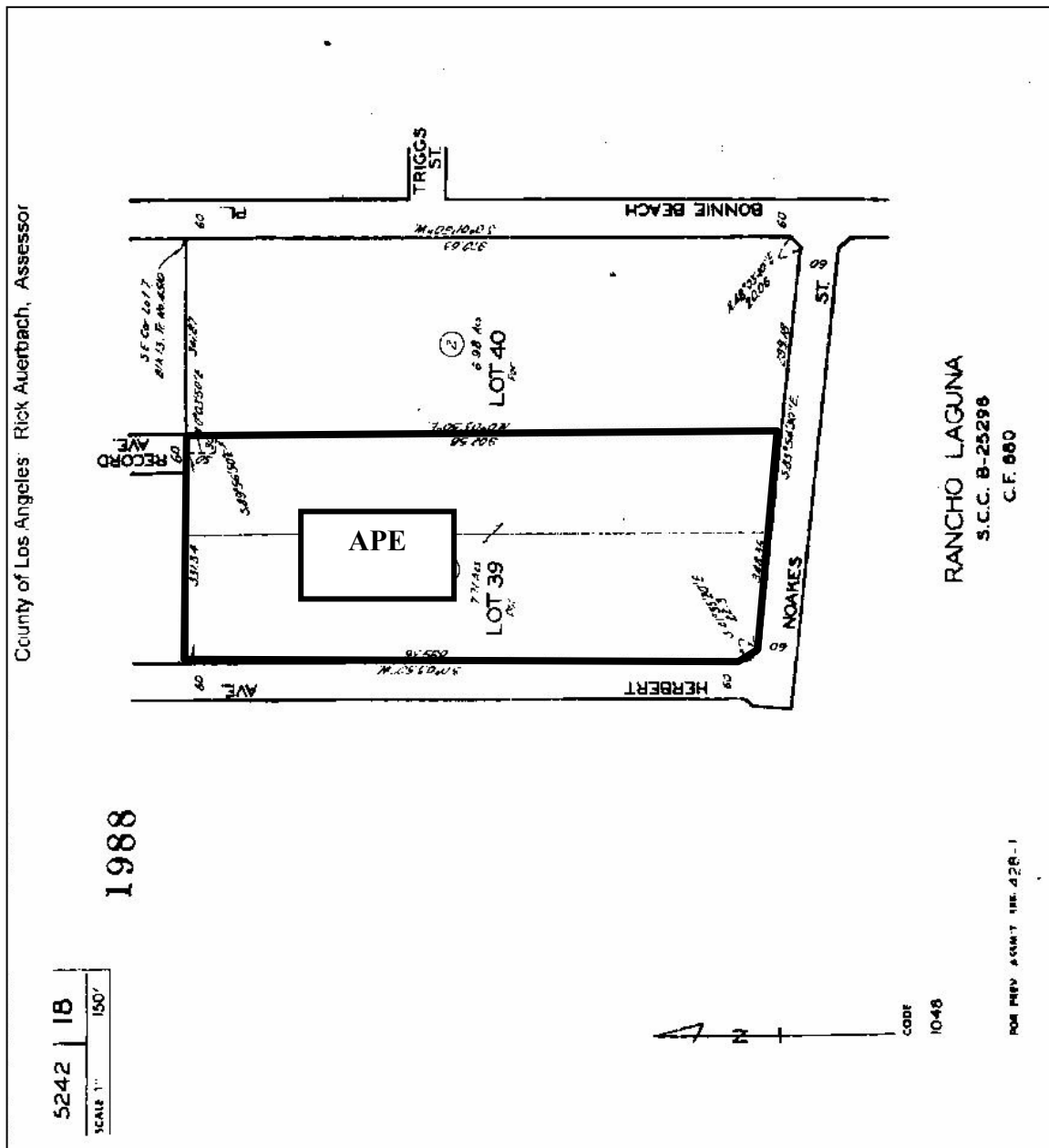
Exhibit 1



Source: Los Angeles County Assessor -
<http://www.lacountyassessor.com/extranet/DataMaps/pais.aspx>

AREA OF POTENTIAL EFFECT
 COMMERCE INDUSTRIAL CENTER PROJECT
 4000 Noakes Street
 Commerce, Los Angeles County

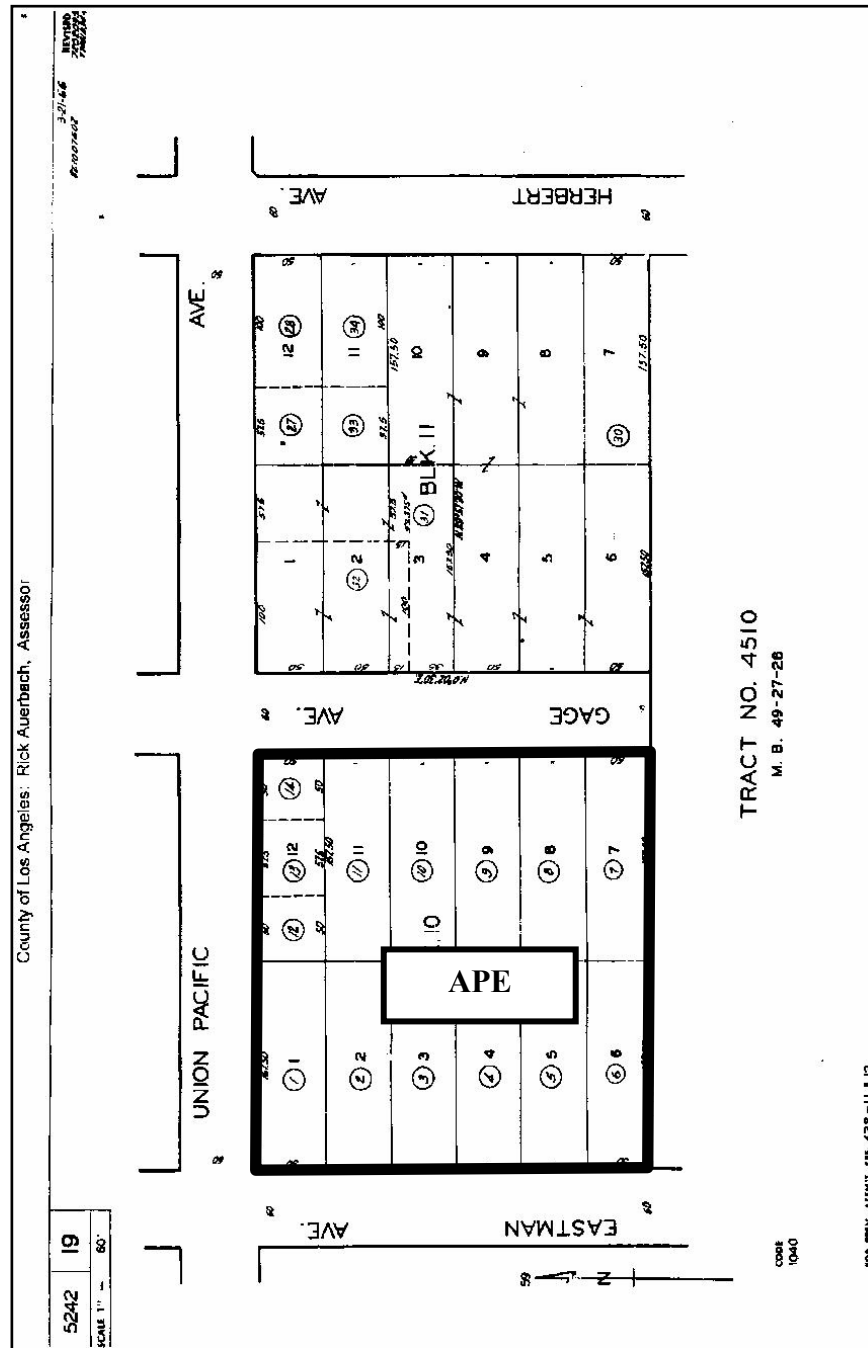
Exhibit 2a



Source: Los Angeles County Assessor -
<http://www.lacountyassessor.com/extranet/DataMaps/pais.aspx>

AREA OF POTENTIAL EFFECT
COMMERCE INDUSTRIAL CENTER PROJECT
 4209 Noakes Street
 Commerce, Los Angeles County

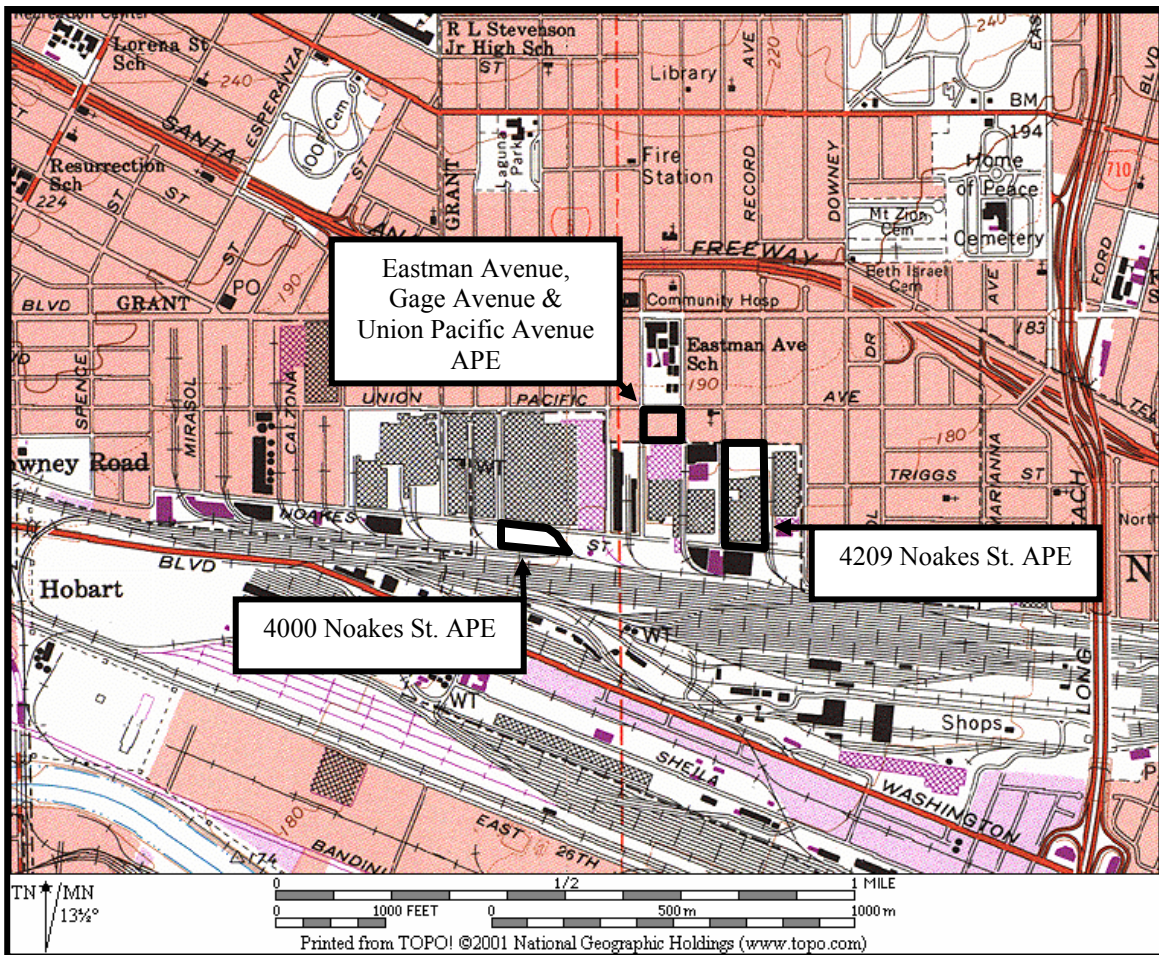
Exhibit 2b



Source: Los Angeles County Assessor -
<http://www.lacountyassessor.com/extranet/DataMaps/pais.aspx>

PROJECT AREA OF POTENTIAL EFFECT **COMMERCE INDUSTRIAL CENTER PROJECT** Eastman Avenue, Gage Avenue & Union Pacific Avenue Commerce, Los Angeles County

Exhibit 2c



Source: USGS 7.5 'Los Angeles, Quadrangle, 1964, photorevised 1981

PROJECT LOCATION

COMMERCE INDUSTRIAL CENTER PROJECT

Commerce, Los Angeles County

Exhibit 3

SAN BUENAVENTURA RESEARCH ASSOCIATES

MEMORANDUM

1328 Woodland Drive • Santa Paula CA • 93060

805/525-1909
Fax 805/525-1597
sbra@historicrosource.com
www.historicrosource.com

To: Joe Power, Rincon Consultants
From: Judy Triem, San Buenaventura Research Associates
Date: 4 November 2004
Re: **Section 106 Evaluation, Commerce Industrial Center**

1. Description of Undertaking

The Los Angeles County Community Development Commission plans to use federal funds to expand an industrial center on Noakes Street in the City of Commerce. The first project includes the demolition of an existing truck repair and maintenance building at 4000 Noakes Street and construction of a 70,000 square foot refrigerated food processing building.

The second projects is the acquisition of an existing 175,000 square foot building at 4209 Noakes Street to be retained as a food processing facility.

The third project is the acquisition of several parcels bordered by Union Pacific Avenue, Eastman Avenue and Gage Avenue in unincorporated East Los Angeles and the demolition of the existing buildings to be replaced with a 50,000 square foot industrial building used for manufacturing, packaging and distribution of food products.

2. Area of Potential Effect

The Area of Potential Effect (APE) includes the project sites (5242-024-001, 5242-018-003, 5242-019-001, 5242-019-002, 003, 004, 005, 006, 007, 008, 009, 010, 011, 012, 013, 014) and the adjacent properties.

3. Description of Location of Undertaking

The project site at 4000 Noakes Street contains several industrial buildings built between 1953 and 1962. The project site at 4209 Noakes Street contains a large industrial building built in 1954 with an addition in 1957. The block bounded by Eastman, Gage and Union Pacific avenues contains seven single family residences and one commercial building with the remaining lots vacant. Trucks are presently stored on the vacant lots.

The surrounding area is virtually all warehouses and working areas. Noakes Street backs up to the railroad right-of-way. Most of the street grid actually ends there and the rest is working warehouses. Most of the surrounding area looks similar to the subject properties: a combination of warehouses, vacant lots used for truck parking, and a few residences/small businesses. Immediately to the north, however, is the County of Los Angeles line and it doesn't appear to be zoned for heavy commercial/industrial use.

4. Historic Resources/National Register Determination

The City of Commerce was not incorporated until 1960. Prior to its incorporation, the area had been developed as an industrial hub and is criss-crossed with numerous railroad lines. The Noakes Street area was apparently not developed as an industrial area until the 1950s although the railroad tracks had been south of there since the early 1900s. North of Noakes Street houses were built going back to the 1920s.

4000 Noakes Street (5242-024-001). The project site at 4000 Noakes Street was undeveloped until 1953 when a 12,000 square foot industrial building by Brown Steel Supply Corporation was constructed for use as storage. In 1956 a 6,000 square foot storage building and a 1,060 square foot office building was constructed on the site by Coil Plate Steel Company. In 1959 a 12,000 square foot addition was made to the existing warehouse plus several smaller 1,000 square foot additions. In 1960 CPS had a 3,200 square

Section 106 Evaluation, Commerce Industrial Center

foot addition built to the existing warehouse building for steel storage. In later years the buildings were used for auto and truck repair. [Photos 1 - 3]

This property consists of four industrial building. The main warehouse building is a long, double-height structure clad with corrugated metal siding. The low pitch, side-gable roof is covered with seamed metal roofing. Fenestration consists of a single horizontal band of square multi-pane, pivoting metal sash. Two similar ancillary structures are located adjacent and parallel to the main building on its northern façade. Each building is one story, clad with corrugated metal siding with a gabled metal roof. These buildings have no windows. A fourth structure is one story, clad with stucco, and topped by a flat roof. Its windows are arranged in horizontal bands and appear to be fixed. This property does not appear to be altered.

4209 Noakes Street (5245-018-003). The project site at 4209 Noakes Street may have been used for a federal housing project during the 1950s, but by 1954 a 120,000 square foot concrete tilt-up manufacturing facility was constructed by Sealright Company, a manufacturer of waxpaper containers and products. In 1957 a 54,000 square foot warehouse addition was made to the original building. [Photo 4]

This property consists of a large, one story industrial warehouse with a rectangular plan. The walls are clad with stucco. The roofline exhibits a short hip that rises from behind a short parapet to flat roof. The roof is covered with composite sheeting. Fenestration is limited to a horizontal band of four fixed windows on each façade of the building's southeast corner. The building appears unaltered.

1310 S. Eastman Avenue (5242-019-002). This property is vacant.

1318 S. Eastman Avenue (5242-019-003). The front residence was built in 1922 and the rear residence in 1925. The original owner is unknown. The one story, single-family residence, located at the front of the parcel, is clad with stucco. The front-facing gable roof is sheathed with composite shingles. A shed roof extends from the northern façade to create a carport. Windows appear to be a combination of woodframe and aluminum double-hung sash. The rear structure is a two story multi-family residence clad with stucco and capped by a flat roof with a short parapet. This property has been altered. [Photo 5]

1322 S. Eastman Avenue (5242-019-004). This single family residence was constructed in 1922. The original owner is unknown. This property consists of a one story, single family residence. Exterior walls are clad with stucco. The low pitch gable-front roof features deep eaves and exposed rafter tails and is covered with composite roll roofing. Windows that are visible appear to be woodframe double-hung sash. The building appears to be altered. [Photo 6]

1328 S. Eastman Avenue (5242-019-005). This single family residence was built in 1924. The original owner is unknown. This property consists of a one story, single family residence clad with stucco. The low pitch gable-front roof is covered with composite shingles. A central portico mimics the roofline. Windows on the main façade are covered by horizontal louvers. The property has been altered. [Photo 7]

1332 S. Eastman Avenue (5242-019-006). This single family residence was built in 1923. The original owner is unknown. This property consists of a one story, single family residence clad with decorative asphalt siding. The roofline is low pitch, side-gable and features deep eaves and exposed rafter tails. A gable-front portico fronts the main façade's entrance. Windows are a combination of wooden and aluminum double-hung sash. The building has been altered. [Photo 8]

1333 S. Gage Avenue (5242-019-007). This property is vacant.

1327 S. Gage Avenue (5242-019-008). This multi-family property consists of two residential buildings, constructed in 1922 and 1923. The original owner is unknown. The main building is one story with a rectangular plan. Exterior walls are clad with stucco which does not appear original. The low pitch gable-

Section 106 Evaluation, Commerce Industrial Center

front roof is covered with composite shingles. Windows are a combination of original woodframe double-hung sash and replacement aluminum sliders. This building has been altered. The rear structure, located immediately behind the main structure, is not clearly visible from the public right-of-way. [Photo 9]

1323 S. Gage Avenue (5242-019-009). This property is vacant.

1317 S. Gage Avenue (5242-019-010). This property is vacant.

1311 S. Gage Avenue (5242-019-011). This property is vacant.

4130 Union Pacific Avenue (5242-019-001). This property is vacant.

4150 Union Pacific Avenue (5242-019-012). This property is vacant.

4154 Union Pacific Avenue (5242-019-013). This single family residence was built in 1929. The original owner is unknown. This property consists of a one story, single family residence, designed in the Craftsman style. Walls are clad with horizontal lap siding. The roofline is a medium pitch, side-facing hip-on-gable with deep eaves and an exposed rafter tails. A central hip-on-gable portico, supported by slender columns, shelters the front entrance. Windows are woodframe, multipane double-hung sash with wooden surrounds. The building is unaltered. [Photo 10]

4158 Union Pacific Avenue (5242-019-014). This commercial/industrial building was constructed in 1948. The original owner is unknown. This property consists of an auto repair shop. The shed-style structure has only three full exterior walls. The northern façade, with its service bays, appears to remain open, sheltered only by a plastic tarp canopy. Walls are clad with corrugated metal siding. The flat roof is covered with a plastic tarp. There are no windows. [Photo 11]

National Register Eligibility

The criteria for determining eligibility for listing on the National Register of Historic Places (NRHP) have been developed by the National Park Service. Properties may qualify for NRHP listing if they:

- A. are associated with events that have made a significant contribution to the broad patterns of our history; or
- B. are associated with the lives of persons significant in our past; or
- C. embody the distinctive characteristics of a type, period, or method of construction or that represent the work of a master, or that possess high artistic values, or that represent a significant and distinguishable entity whose components may lack individual distinction; or
- D. have yielded, or may be likely to yield, information important in prehistory or history.

According to the National Register of Historic Places guidelines, the “essential physical features” of a property must be present for it to convey its significance. Further, in order to qualify for the NRHP, a resource must retain its integrity, or “the ability of a property to convey its significance.”

The seven aspects of integrity are: Location (the place where the historic property was constructed or the place where the historic event occurred); Design (the combination of elements that create the form, plan, space, structure, and style of a property); Setting (the physical environment of a historic property); Materials (the physical elements that were combined or deposited during a particular period of time and in a particular pattern or configuration to form a historic property); Workmanship (the physical evidence of the crafts of a particular culture or people during any given period of history or prehistory); Feeling (a property’s expression of the aesthetic or historic sense of a particular period of time), and; Association (the direct link between an important historic event or person and a historic property).

Section 106 Evaluation, Commerce Industrial Center

The minimum age criteria for the National Register of Historic Places (NRHP) is 50 years. Properties less than fifty years old may be eligible for listing on the NRHP if then can be regarded as "exceptional."

4000 Noakes Street. This group of four industrial buildings was constructed between 1953 and 1960. Only the first building meets the fifty year requirement. The building was constructed by Brown Steel Supply Corporation for use as a storage building and has had various uses over the years. The building does not appear to be associated with an event that has made a significant contribution to the history of Commerce (Criterion A). It is not associated with the lives of any known person significant in our past (Criterion B). It does not embody the distinctive characteristics of a type or method of construction (Criterion C). The building is a common example of a corrugated metal storage building from the 1950s. The remaining three buildings do not meet the fifty year eligibility requirement.

4209 Noakes Street. This large industrial building was constructed in 1954 with a large addition in 1957. It is just fifty years old. It was built by the Sealright Company, a manufacturer of waxpaper containers and products. The building does not appear to be associated with an event that has made a significant contribution to the history of Commerce (Criterion A). It is not associated with the lives of any known person significant in our past (Criterion B). It does not embody the distinctive characteristics of a type or method of construction (Criterion C). The building is a common example of a concrete tilt-up manufacturing facility from the 1950s.

1318-1322-1328-1332 S. Eastman Avenue. The remaining single family residences on the 1300 block of S. Eastman Avenue were built between 1922 and 1925. One lot has two residences. These buildings are located just north of the boundary line from Commerce in East Los Angeles. The buildings do not appear to be associated with an event that has made a significant contribution to the history of East Los Angeles (Criterion A). They are not associated with the lives of any known persons significant in our past (Criterion B). They do not embody the distinctive characteristics of a type or method of construction (Criterion C). The buildings are common examples of 1920s bungalows and most of them have had alterations over time.

1327 S. Gage Avenue. Only one property on Gage Avenue has two residences, with the remaining properties vacant except for truck storage. The two houses were built in 1922 and 1923. These buildings are located just north of the boundary line from Commerce in East Los Angeles. The buildings do not appear to be associated with an event that has made a significant contribution to the history of East Los Angeles (Criterion A). They are not associated with the lives of any known persons significant in our past (Criterion B). They do not embody the distinctive characteristics of a type or method of construction (Criterion C). The buildings are common examples of 1920s bungalows and have had alterations over time.

4154-4158 Union Pacific Avenue. The residence at 4154 was built in 1929 and the commercial building at 4158 Union Pacific Avenue was built in 1948. The rest of the parcels are vacant. These buildings are located just north of the boundary line from Commerce in East Los Angeles. The buildings do not appear to be associated with an event that has made a significant contribution to the history of East Los Angeles (Criterion A). They are not associated with the lives of any known persons significant in our past (Criterion B). They do not embody the distinctive characteristics of a type or method of construction (Criterion C). The residence is a common example of 1920s bungalows, whereas the auto repair building is corrugated metal shed with just three sides.

Most of the surrounding area within the APE looks similar to the subject properties: a combination of warehouses, vacant lots used for truck parking, and a few residences/small businesses. There appear to be no buildings within this APE that are listed or eligible for listing on the National Register.

Section 106 Evaluation, Commerce Industrial Center

In conclusion, there are presently no known buildings within the APE that are listed or eligible for listing on the National Register of Historic Places.

5. Information from Local Organizations

The Greater East Los Angeles Cultural Heritage Survey was consulted. There appear to be no local historical organizations.

6. Selected Sources

California Historical Landmarks, 1990

Community Research Group. *Greater East Los Angeles Cultural Heritage Survey*, August 1979.

Ethnic Survey, Los Angeles County entries.

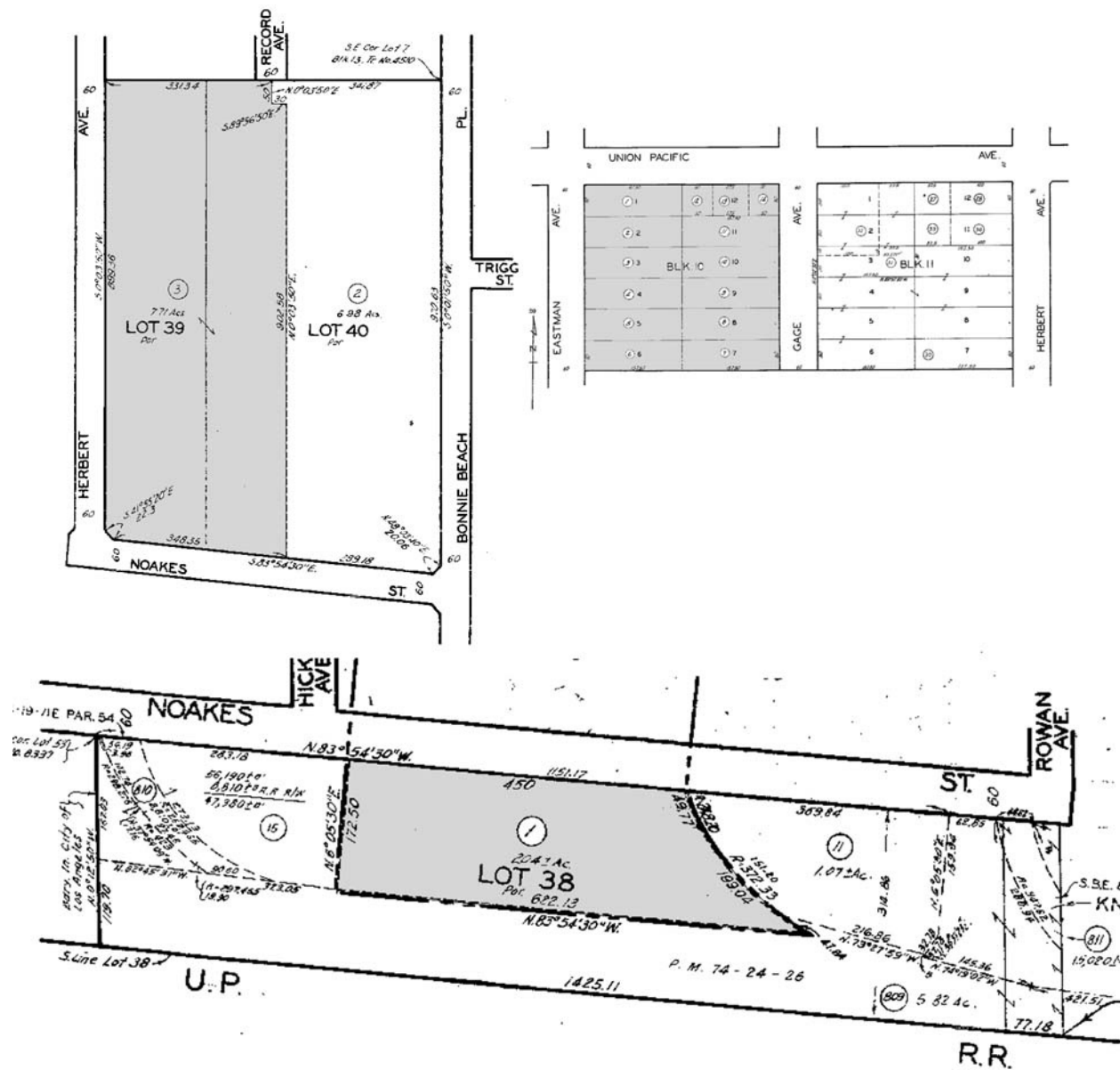
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Gebhard, David and Winter, Robert, *Guide to Architecture in Los Angeles*, 1985.

Los Angeles County Tax Assessor information

Targhee, Inc. *Phase I Environmental Site Assessment Report, 4209 Noakes Street, Commerce*, July, 2004.

Targhee, Inc. *Phase I. ESA Report, 4000 Noakes Street, City of Commerce*, November 2, 2004.



SITE LOCATION

Source: Los Angeles County Assessors Maps, Book 5242, Pages 18 19, 24



PHOTO 1. Project site: 4000 Noakes Street, eastern & northern elevations (2 November 2004).



PHOTO 2. 4000 Noaks St., northern & eastern elevations (2 November 2004).



PHOTO 3. 4000 Noakes St., northern elevation (2 November 2004).



PHOTO 4. 4209 Noakes Street, project site, southern elevation (2 November 2004).



PHOTO 5. Project site, 1318 S. Eastman Ave., western elevation (2 November 2002).



PHOTO 6. Project site, 1322 S. Eastman Ave., western & southern elevations (2 November 2004).



PHOTO 7. Project site: 1328 S. Eastman Ave., western elevation (2 November 2004).



PHOTO 8. Project site: 1332 S. Eastman Ave., western elevation (2 November 2004).



PHOTO 9. Project site: 1327 S. Gage Ave., eastern elevation (2 November 2004).



PHOTO 10. Project site: 4154 Union Pacific Ave., northern elevation (2 November 2004).



PHOTO 11. Project site: 4158 Union Pacific Ave., northern elevation (2 November 2004).

APPENDIX A

Mitigation Monitoring Plan Commerce Industrial Center Project

This section reflects the mitigation monitoring and reporting program requirements of Public Resources Code Section 21081.6 in accordance with CEQA Guidelines 15097:

“...In order to ensure that the mitigation measures and project revisions identified in the EIR or negative declaration are implemented, the public agency shall adopt a program for monitoring or reporting on the revisions which it has required in the project and the measures it has imposed to mitigate or avoid significant environmental effects. A public agency may delegate reporting or monitoring responsibilities to another public agency or to a private entity which accepts the delegation; however, until mitigation measures have been completed the lead agency remains responsible for ensuring that implementation of the mitigation measures occurs in accordance with the program.”

Mitigation Measure	Responsible Party	Monitoring Agency	Monitoring Timing
Possible Onsite Hazards: Prior to demolition of onsite structures, the following shall be implemented: Testing for asbestos-containing materials and lead-based paint shall be conducted in all onsite structures. If asbestos-containing materials or lead-based paint are found, they shall be removed by a licensed contractor in accordance with applicable regulations of the South Coast Air Quality Management District.	Contractor	Community Development Commission	Pre-Construction, Construction
Historic, Cultural, and Archaeological Resources: No archaeological resources are known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project’s archaeological area of potential effect must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and	Contractor	Community Development Commission	Construction

Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner will have 24 hours to notify the Native American Heritage Commission			
Solid Waste Recycling: Project design shall incorporate space for separate bins for waste and recyclable materials.	Architect	Community Development Commission	Design
Water Supply: The project shall incorporate the following features to minimize its impact to regional water supplies: <ul style="list-style-type: none"> Landscaped areas shall be designed with drought tolerant species. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water conserving landscape design practice. All new structures shall be fitted with water conserving fixtures. 	Landscape Architect	Community Development Commission	Design/Operation
Additional Modifications: Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission of the County of Los Angeles. Any modifications must continue to satisfy the requirements of NEPA and CEQA, as determined by the County.	Contractor/Operator	Community Development Commission	Design, Pre-Construction, Construction and Operation

LOAN AGREEMENT

by and between the

COUNTY OF LOS ANGELES

a public body corporate and politic

and the

CITY OF COMMERCE

a California municipal corporation

for a Section 108 loan in the initial principal amount of

\$10,000,000

____, 2005

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T R A N S A C T I O N S U M M A R Y

Project Name: Commerce Industrial Center DART Development Project

Borrower Name: City of Commerce

☐ Limited Partnership ☐ LLC ☐ Nonprofit Public Benefit Corporation

☒ Other : municipal corporation (city)

Loan Amount: \$ 10,000,000 Interest Rate: LIBOR + 20 basis points (or such higher rate as may be imposed by HUD) for interim financing period, then actual bond interest rate (6.0% projected) once permanent financing is available (10% default).

Amortization: interest only, payable quarterly during interim financing period; then semi-annual interest payments for the first two (2) years during the permanent financing period; then semi-annual principal and interest payments (level amortization) for the remaining 18 years of the 20-year term.

Repayment term: 20 years.

Project Type: improvements to the Commerce Industrial Center DART Development Project

Use of Loan Proceeds: ☒ Land Acquisition ☐ Predevelopment ☐ Construction

(the net proceeds of the loan will be loaned by the City to Dedeaux Properties, LLC for use in paying for property acquisition and other uses permitted under Section 8 below)

Other Project Financing Sources / Priority Relative to This Loan:

(1) <u>developer equity</u>	<input type="checkbox"/> senior <input checked="" type="checkbox"/> junior <input type="checkbox"/> parity/NA
(2) <u>other financing, if any, permitted by this agreement</u>	<input type="checkbox"/> senior <input checked="" type="checkbox"/> junior <input type="checkbox"/> parity/NA
(3) <u>federal EDI</u>	<input type="checkbox"/> senior <input type="checkbox"/> junior <input checked="" type="checkbox"/> parity/NA
(4) _____	<input type="checkbox"/> senior <input type="checkbox"/> junior <input type="checkbox"/> parity/NA

The foregoing Transaction Summary is provided for the convenience of the parties. In case of any conflict, the detailed terms below and/or in the attachments to this Loan Agreement shall control.

LOAN AGREEMENT

(Section 108 -Commerce Industrial Center DART Development Project)

THIS LOAN AGREEMENT ("Agreement") is made as of the ____ day of _____, 2005, by and between the COUNTY OF LOS ANGELES, a public body corporate and politic ("COUNTY"), and the CITY OF COMMERCE, a California municipal corporation ("Borrower"). COUNTY and Borrower are sometimes referred to collectively herein as the "Parties" and each individually as a "Party".

RECITALS

A. WHEREAS, Borrower desires to borrow the principal amount of **Ten Million Dollars (\$10,000,000)** (the "Loan") from COUNTY for the purpose of providing a loan to Dedeaux Properties, LLC, a California limited liability company ("Developer") for uses permitted by Section 8 below, including but not limited to acquiring an existing 175,000 square foot building at 4209 Noakes Street and the acquisition of a new 82,000 square foot refrigerated food processing building at 4000 Noakes Street in the City of Commerce. COUNTY's source of funding for the Loan is the United States Department of Housing and Urban Development ("HUD") pursuant to HUD's Section 108 loan guaranty program. In order to meet HUD's National Objectives associated with the Section 108 program, the Project will be required to provide employment opportunities to low- and moderate-income residents of surrounding distressed areas as more particularly described below in this Agreement. The Project will be developed on a site ("Development Site") legally described on Exhibit "B" to this Agreement. A detailed Project description is attached hereto as Exhibit H, and reduced site plans for the Project are attached as Exhibit I.

B. WHEREAS, other sources of financing for the Project are anticipated to include the financing sources listed in the Transaction Summary above ("Other Financing"). The Loan will be secured by, among other things: (i) a first trust deed recorded against both properties (the "Security Parcels") owned by Developer in the vicinity of the Development Site and legally described on Exhibit C to this Agreement, which deed of trust shall be made in favor of Borrower and assigned by Borrower to COUNTY; (ii) a \$1,000,000 **irrevocable standby letter of credit from an A-rated issuer** (or equivalent cash security) as described below.

C. WHEREAS, as more particularly provided below, Borrower will, among other items, both deliver and assign to COUNTY the "Deed of Trust" and the "CC&Rs", and deliver the "Pledge and Security Agreement" and other "Loan Documents" (as those terms are defined below) to secure repayment of the Loan as provided herein and to ensure that the Project is completed and provides employment opportunities and other community benefits in accordance with the terms of those instruments and this Agreement.

D. WHEREAS, COUNTY desires to make the Loan to Borrower, on the terms and conditions set forth herein.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1.0 COUNTY LOAN

COUNTY agrees, subject to the terms and conditions of this Agreement and in consideration of the representations, covenants and obligations of Borrower contained in this Agreement, to make the Loan to Borrower, to be used solely for the purposes described herein.

2.0 PROMISSORY NOTE; LOAN REPAYMENT.

2.1 Note.

As one of the conditions to disbursement of the Loan to Borrower under Section 6 below, Borrower shall execute a Promissory Note (the "Note") in the form of Exhibit D attached hereto or as otherwise required by HUD, which Note sets forth terms and conditions for the repayment of the Loan. The Note shall be secured by (i) a Pledge and Security Agreement assigning Borrower reserves as further described in Section 5 below, and (ii) an Assignment of Deed of Trust and Other Loan Documents (Exhibit "G"), wherein Borrower specifically assigns to COUNTY the following documents: (a) Deed of Trust (Exhibit "E"), (b) Developer Loan Agreement (Exhibit "M"), (c) the Promissory Note (Exhibit "N"), (d) UCC-1 Financing Statement (Exhibit L"), (e) CC&R's (Exhibit "F"), and (f) a One Million Dollar (\$1,000,000) **irrevocable standby letter of credit**, callable on demand following an "Event of Default" as defined in Section 15.1 below, **or upon failure to renew or replace the letter of credit at least 30 days prior to expiration, from an A-rated issuer** (or equivalent cash security) as further described in Section 6.3(i) below (the "**Letter of Credit**").

2.2 Interest.

The parties contemplate that COUNTY will initially use proceeds of an interim financing facility to fund the Loan, and will subsequently replace (as an accounting matter) the interim funds with proceeds of a public offering by HUD. The disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which Loan proceeds are first disbursed for the account of Borrower and continuing through the period of the interim financing at a rate per annum equal to the London InterBank Offered Rate (LIBOR - 3 month) on the date of this Agreement plus twenty (20) basis points (or such higher rate as may be imposed by HUD pursuant to the Variable/Fixed Rate Note # B-04-UC-06-0505 to be executed by COUNTY in favor of HUD ("HUD Note") in connection with the HUD Loan). From and after the date ("Conversion Date") of funding of the public bond offering, the interest rate applicable to the Loan shall be equal to the interest rate on the bonds, as provided in the HUD Note. The interest rate charged to Borrower under the Note (Exhibit "D") to be executed hereunder shall be the COUNTY's actual interest rate under the HUD Note and shall not be augmented or surcharged by COUNTY. The foregoing rates of interest in effect from time to time are hereinafter sometimes referred to as the "Base Rate". Interest shall be computed on the basis of actual number of days elapsed and a 360-day year. Notwithstanding the foregoing, any amounts not paid when due under this Agreement or the Note shall bear interest from the date due to the date paid at the rate of ten percent (10%) per annum ("Default Rate").

2.3 Payment Dates and Amounts.

Subject to approval by HUD in accordance with the HUD Commitment Letter (as defined below), the schedule for repaying the Loan shall be as set forth in this Section 2.3. Absent any default or acceleration, Borrower shall initially make quarterly payments to COUNTY of interest only, payable at least eleven working days in advance of the first day of each calendar quarter. From and after the Conversion Date, Borrower shall make semi-annual interest payments for the first two (2) years during the permanent financing period and then semi-annual payments of principal and interest in an amount necessary to amortize the Loan in 20 years as reasonably calculated by the COUNTY. The timing of the semi-annual payments shall be at least eleven (11) working days in advance of each August 1 and February 1 or as reasonably determined by the COUNTY based on coordination with the timing of debt service payments by COUNTY under the HUD

Note. Notwithstanding any other provision of the Note or of this Agreement, unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under the Note shall be due and payable in full on the 20th anniversary of the date of the Close of Escrow for the Loan ("Maturity Date"). Any of the foregoing or other payment terms of the Note are subject to modification by the COUNTY as necessary to meet payment terms under the COUNTY loan from HUD ("HUD Loan") that is the COUNTY's source of funds for the Loan.

2.4 Payments Due on Sale or Default.

Borrower shall repay the Loan in full, with interest and other amounts payable under the Note or the HUD Loan, upon the occurrence of a sale, transfer, or assignment of the Security Parcels or the Development Site to which COUNTY has not given written consent (unless the COUNTY's consent is not required under the terms of this Agreement).

3.0 ACCELERATION.

Notwithstanding the payment terms set forth in Section 2 above, upon the occurrence of any "Event of Default" as set forth in Section 15 below, the entire outstanding principal balance of the Note, together with any outstanding interest and other amounts payable thereunder or under the HUD Loan, shall, at the election of COUNTY and upon notice to Borrower thereof, become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower.

4.0 PREPAYMENT; APPLICATION OF PAYMENTS.

At any time after the disbursement of the Loan proceeds, and subject to any HUD requirements applicable to prepayment or defeasance of the HUD Loan, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums outstanding without penalty; provided, however, that Borrower shall also pay any prepayment premium imposed by HUD or other defeasance cost incurred in connection with prepayment or defeasance of the HUD Loan. Borrower hereby agrees and understands that the prepayment of the Note shall not relieve Borrower of the duty to comply with the covenants described in Sections 9.4, 9.7, 10 and 11 herein, and such obligations and covenants shall remain in full force and effect pursuant to their terms. All payments, including any prepayments or funds received upon acceleration pursuant to Section 3 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under the Note or this Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the Base Rate, if any, and then finally toward the remaining principal balance of the Loan.

5.0 SECURITY AND SOURCE OF PAYMENT.

Borrower's obligation to repay the Loan and any associated interest and other amounts payable under this Agreement or the Note shall, at all times during which any amount remains outstanding, be secured by the deed of trust for both properties ("Deed of Trust"), in the form of Exhibit "E" attached hereto or as otherwise required by HUD, recorded against the Security Parcels and assigned to COUNTY by Borrower pursuant to an Assignment of Deed of Trust and Other Loan Documents ("Assignment") in the form of Exhibit G. The security interest granted to COUNTY pursuant to the Deed of Trust shall be an unsubordinated first priority lien on the Security Parcels.

Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this Agreement or the Loan, the Loan is a limited recourse obligation of Borrower, and in the event of the occurrence of an Event of Default, COUNTY's only recourse shall be against the collateral provided for the Loan, including: the Security Parcels, the proceeds thereof, the rents and other income arising from its use and occupancy following an Event of Default

as provided in the Deed of Trust; and the One Million Dollar (\$1,000,000) **Letter of Credit** in the amount equal to ten (10) percent of the initial loan amount, pledged to the COUNTY pursuant to a pledge agreement ("Pledge and Security Agreement") in the form of Exhibit J hereto, and held by the COUNTY's escrow agent pursuant to an escrow agreement ("Escrow Agreement") in the form of Exhibit K hereto. The escrow account will be pledged to the COUNTY pursuant to a pledge agreement ("Pledge and Security Agreement") in the form of Exhibit J hereto.

Notwithstanding the foregoing, COUNTY shall have recourse against any assets of Borrower with respect to Borrower's obligation under this Agreement to pay any prepayment premium imposed by HUD or other defeasance cost incurred in connection with prepayment, acceleration or defeasance of the HUD Loan, regardless of whether the prepayment, acceleration or defeasance is triggered involuntarily by default or voluntarily. The preceding sentence is not intended to make the Loan full recourse as to the basic principal and interest thereof, but only as to the premiums, penalties and costs attributable to prepayment or defeasance of the HUD Loan and the bonds or other securities which are the source of funds for the HUD Loan.

COUNTY shall surrender and execute a release the Letter of Credit if all of the following conditions are satisfied: (i) Cash and/or cash equivalents in the total amount of One Million Dollars (\$1,000,000) is assigned and transferred to the County and; (ii) Cash and/or cash equivalents is deposited in an escrow account held by the COUNTY's escrow agent pursuant to the Escrow Agreement until the loan is paid in full.

6.0 ESCROW; CONDITIONS TO FUNDING THE LOAN.

6.1 Escrow

Disbursement of the Loan proceeds in accordance with this Agreement, delivery of the executed Note to COUNTY, and recordation and delivery of the Deed of Trust and other Loan Documents to be recorded and delivered shall be carried out through an escrow account ("Escrow") to be established by the Parties with U.S Bank or another title or escrow company specifically approved in writing for this transaction by COUNTY ("Escrow Holder"). The Parties may execute supplemental instructions to Escrow Holder consistent with the terms of this Agreement, but in the event of a conflict between the terms of this Agreement and any supplemental escrow instructions, the terms of this Agreement shall control. Except as otherwise expressly provided herein, any fees and costs incurred by COUNTY or Borrower in connection with Loan, the HUD Loan, the Escrow, or any of the Loan Documents shall be paid exclusively by Borrower and shall not be paid from Loan proceeds (except a COUNTY Loan fee of \$100,000 and HUD fees of approximately \$150,000 which shall be deducted from Loan proceeds). The following is a partial estimate (not a cap, except as to legal fees) of COUNTY-incurred fees and costs to be paid by Borrower when due or when invoiced by COUNTY: (i) \$2,500 escrow fee; (ii) \$14,000 title insurance premium; (iii) \$25.00 wire transfer fee per wire and \$75.00 reconveyance fee; (iv) \$500 recording fees; (v) \$10.00 per item notary fee; (vi) payoff demand fees as required by existing lienholders, if any, to be repaid; (vii) \$70.00 per wire fee and \$100 quarterly administration fees imposed by HUD; and (viii) special counsel fees of up to \$25,000.

6.2 EDI Grant

Concurrently with executing agreements for the HUD Loan, COUNTY has executed or will execute with HUD an agreement (the "HUD Grant Agreement") providing for an economic development grant totaling \$1,000,000 (the "HUD Grant Funds") through an EDI Grant Agreement (Grant No. B-98-ED-06-0042). Subject to the terms of the HUD Grant Agreement, COUNTY shall disburse the HUD Grant Funds to

Developer together with disbursements of the Loan Funds pursuant to Section 6.4 below. Borrower shall cause Developer to comply with and satisfy all covenants and requirements of the HUD Grant Agreement, and shall indemnify, defend, and hold harmless COUNTY, and the Community Development Commission of the County of Los Angeles ("Commission") for any costs, claims, liabilities or obligations arising out of or related to the HUD Grant Agreement.

6.3 Closing Conditions

COUNTY shall have no obligation to make any disbursements of Loan proceeds under this Agreement unless the Close of Escrow occurs on or before the date ("Closing Deadline") that is the first anniversary of the date of this Agreement, and this obligation shall in any event be subject to satisfaction of all of the following conditions (a) through (r) (the "Closing Conditions"):

- (a) The execution of this Agreement by COUNTY and Borrower, and delivery of a fully-executed copy to Escrow Holder;
- (b) Borrower's due execution and deposit into Escrow of the Note;
- (c) Developer's due execution (with notary acknowledgment) and deposit into Escrow of the covenants, conditions and restrictions ("CC&Rs") in the form attached hereto as Exhibit F;
- (d) Developer's due execution (with notary acknowledgment) and deposit into Escrow of the Deed of Trust, and COUNTY's confirmation that the Security Parcels described on Attachment 1 to the Deed of Trust are in fact those parcels currently assigned through lease agreements with Dedeaux Properties, LLC and Huhtamaki Packaging, Inc. at 4209 Noakes Street and Contessa Food Products at 4000 Noakes Street in the City of Commerce.
- (e) Developer's due execution and deposit into Escrow of the UCC-1 financing statement attached hereto as Exhibit L ("Developer UCC-1");
- (f) Borrower's due execution (with notary acknowledgment) and deposit into Escrow of the Assignment of Deed of Trust and Other Loan Documents (Exhibit "G" hereto);
- (g) Borrower's due execution and deposit into Escrow of the Pledge and Security Agreement (Exhibit "J" hereto);
- (h) Borrower's and U.S. Bank's due execution of the Escrow Agreement attached as Exhibit K hereto ("Escrow Agreement"), and Borrower's deposit with the COUNTY's escrow agent of the **Letter of Credit or Certificate of Deposit** in the amount of \$1,000,000 as provided in the Escrow Agreement;
- (i) Developer has caused the **Letter of Credit** (described in Section 2.1 above) to be issued to COUNTY in form and substance and from an A or better-rated issuer approved by COUNTY at COUNTY's sole discretion. The **Letter of Credit** shall have an initial term of not less than one year and shall be renewed annually thereafter not less than 30 days before expiration and will be held in escrow for the term of loan;
- (j) Borrower's due execution and deposit into Escrow of the Commercial Guarantee Agreement (Exhibit "O" hereto);
- (k) Receipt by COUNTY from Borrower and Developer of such other documents,

certifications and authorizations as are reasonably required by COUNTY, in form and substance satisfactory to COUNTY, evidencing that (i) this Agreement, the Note, the Deed of Trust, the CC&Rs and all other documents given or executed in connection herewith (collectively, the "Loan Documents") are duly and validly executed by and on behalf of and constitute the valid and enforceable obligation of Borrower and Developer pursuant to the respective terms of each of such documents, and (ii) the execution and delivery of this Agreement, the Note, the Deed of Trust and all other documents executed or given hereunder, and the performances thereunder by Borrower and Developer, will not breach or violate any law applicable or governmental regulation to which Borrower or Developer is subject nor constitute a breach of or default under any instrument or agreement to which Borrower or Developer may be a party;

(l) Escrow Holder shall have assured that upon recordation of the Deed of Trust and the Assignment there will be provided to COUNTY, at Borrower's sole expense, a lender's policy of title insurance (with customary endorsements, including but not limited to Nos. 100, 103.7 and 116 and such other endorsements as COUNTY shall reasonably require) issued by a title insurer specifically approved by COUNTY ("Title Company") in the amount of the Loan, insuring COUNTY's interest as beneficiary under the Deed of Trust encumbering the Security Parcels, and specifically insuring that lien of the Deed of Trust against the Security Parcels as an unsubordinated first priority lien subject only to any exceptions to title applicable to the Security Parcels which were shown in a preliminary title report provided to COUNTY by Title Company and approved in writing by COUNTY ("Permitted Encumbrances");

(m) No Event of Default shall exist under this Agreement or under any agreement or instrument relating to this Agreement, the Security Parcels, the Development Site, or the Project, and Developer has demonstrated to the satisfaction of the COUNTY Executive Director (or his designee) that all financing sources for development and on-going operation of the Project, including but not limited to Developer's equity, are or will be available in sufficient amounts to provide for full and timely completion and on-going operation of the Project;

(n) Borrower shall have provided to COUNTY, in form satisfactory to COUNTY, certified copies of (i) Developer's governing partnership agreement, operating agreement, or articles and bylaws, together with a certification by the managing member, managing general partner, or president that such agreement or articles and bylaws has not been amended or modified except as described in the certification (ii) a good standing certificate from the California Secretary of State, certifying that Developer is duly qualified and in good standing, and (iii) all other documents necessary to evidence to COUNTY's satisfaction that the individuals and entities executing this Agreement and the Loan Documents, and other entities on whose behalf such documents are executed, are fully authorized to do so and to bind the respective entities, including Borrower and Developer, to the terms hereof and thereof;

(o) Borrower shall have obtained COUNTY's written approval of a supplemental instruction to Escrow Holder specifying the applicable payees and uses for the Loan proceeds when disbursed by Escrow Holder for the account of Borrower and Developer pursuant to this Agreement.

(p) Borrower shall have furnished COUNTY with certificates of insurance applicable to both the CITY and the Developer evidencing the coverages required by Section 9.8 below.

(q) Borrower shall have furnished to COUNTY and obtained COUNTY's approval of all soils and geologic reports and environmental assessments which exist or which COUNTY desires in its sole discretion to obtain with respect to the Development Site and the Security Parcels; provided, however, that COUNTY shall not require any new reports or assessments pursuant to this Closing

Condition unless COUNTY hereafter obtains new evidence of materially adverse soils or geologic conditions not previously disclosed to COUNTY. Borrower hereby acknowledges that COUNTY's review and approval of such reports and of any other contract, document or other matter under this Agreement is solely for the benefit of COUNTY, and should not be relied upon as any assurance or warranty of the correctness, adequacy or appropriateness of any such matter; and

(r) All HUD requirements applicable to funding of the HUD Loan pursuant to HUD's Section 108 loan guaranty program shall have been satisfied, including, without limitation, assignment of any collateral required by HUD and satisfaction of all the conditions and other requirements set forth in the Contract for Loan Guarantee Assistance entered into pursuant to the letter dated _____ from HUD attached hereto as Exhibit "P" (the "HUD Commitment Letter") and other documents associated with the HUD Loan. The satisfaction of the Closing Condition described in this subparagraph (q) shall include, without limitation, the Developer's securing Huhtamaki Packaging, Inc. (the "Sellers") and the Borrower delivering to COUNTY a fully executed agreement, in form satisfactory to COUNTY, under which the Sellers, jointly and severally, agree to segregate the proceeds from the acquisition of the Development Site, and use these proceeds only for the purposes designated in Section 8 of the Developer Loan Agreement (Exhibit M attached hereto).

6.4 Close of Escrow

When, and only when, Escrow Holder has confirmed that the Closing Conditions independently verifiable by Escrow Holder, have been satisfied, and has received written certification on behalf of COUNTY from the Executive Director of the Community Development Commission of the County of Los Angeles ("COUNTY's Executive Director" or his designee) that all other Closing Conditions have been timely satisfied or waived, then Escrow Holder shall carry out the close of Escrow ("Close of Escrow") by:

- (i) causing the Deed of Trust, the Assignment, and the CC&Rs to be recorded in the Official Records of Los Angeles County, California;
- (ii) delivering the executed original Loan Documents to COUNTY;
- (iii) causing the Developer UCC-1 to be duly filed with the California Secretary of State;
- (iv) causing the Title Policy to be issued to COUNTY in the form and amount specified above; and
- (v) disbursing the Loan proceeds pursuant to this Agreement and Escrow instructions mutually approved by Borrower and COUNTY pursuant to Section 6.3(n) above, which instructions shall provide, among other things, for disbursement from Loan proceeds consistent with Section 8.0 below, of amounts including a COUNTY Loan fee of \$100,000 and an underwriting fee of up to \$150,000 to HUD.

6.5 If the Close of Escrow does not occur prior to the Closing Deadline, then the Escrow shall terminate, and Escrow Holder shall promptly return all funds and documents to the Party depositing them.

7.0 Reserved.

8.0 PURPOSE OF LOAN; USE OF LOAN PROCEEDS.

Proceeds of the Loan shall be used only for the following purposes: (i) to pay the COUNTY Loan fee of \$100,000 and underwriting fees, issuance costs and expenses of up to 1.5% (\$150,000) to HUD, which amount shall be deemed disbursed at the Close of Escrow; and (ii) the balance shall be loaned to Developer pursuant to the Developer Loan Agreement (Exhibit M hereto) for use in Paying Project costs specified in the Developer Loan Agreement, including but not limited to retiring seller financing associated with Developer's acquisition of the Development Site. In the event the actual underwriting fee required by HUD is less than \$150,000 then the remainder shall be disbursed to Developer as part of the Loan proceeds for use in accordance with clause (ii) above.

9.0 COVENANTS OF BORROWER.

As additional consideration for the making of the Loan by COUNTY, Borrower covenants as follows:

9.1 Compliance with Laws; Compliance with HUD Loan.

Borrower shall comply with all applicable Governmental Restrictions. As used herein, "Governmental Restrictions" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they pertain to the Loan, performance of this Agreement or development or operation of the Project, including specifically but without limitation all code and other requirements of the jurisdiction in which the Project is located; the California Environmental Quality Act; applicable federal, state and local fair housing laws; and public bid and prevailing wage requirements. Borrower shall be solely responsible for determining whether any state or federal prevailing wage requirements may be applicable to the Project, and for implementing any and all prevailing wage requirements which may apply, regardless of whether they may be obligations of the contractor or of the party awarding the contract. Prevailing wage laws include, among others, California Labor Code Section 1720 et seq., and the federal Davis-Bacon Act (40 U.S.C. §276a). If applicable, these requirements may include, among others, the requirement that prevailing wages be paid, that prevailing wage schedules be posted at the jobsite, and that detailed wage records be maintained. Borrower shall indemnify, defend and hold COUNTY and the Community Development Commission of the County of Los Angeles ("Commission") harmless for any suit, cost, attorneys' fees, claim, administrative proceeding, damage, wage award, fine, penalty or liability arising out of or relating to the Project.

Borrower specifically acknowledges that COUNTY's source of funds for making the Loan will be Section 108 funds obtained through or from HUD pursuant to the HUD Loan, and Borrower shall comply in all respects with the contractual, statutory and regulatory requirements associated with the HUD Loan, including but not limited to provisions relating to repayment thereof, and shall not cause or permit Developer to cause COUNTY to be in default or violation of such requirements. Borrower shall indemnify, defend, and hold harmless COUNTY and the Community Development Commission of the County of Los Angeles ("Commission") for any costs, claims, liabilities or obligations arising out of or related to the HUD Loan.

9.2 Project Disclosures

Borrower shall make available for inspection and audit to COUNTY's representatives, upon seventy-two (72) hours written request, at any reasonable time during the 20-year term ("Term") of the Loan at Borrower's offices all of Borrower's books and records relating to the permitting, construction and operation of the Project and this Agreement. All such books and records shall be maintained by Borrower until the later

of three (3) years after the Loan is repaid in full or five (5) years after fulfillment of Developer's job creation obligations under Section (1) of the CC&Rs. In the event any litigation, claim or audit is started before the expiration of the Term, said books and records shall be retained until all litigation, claims, or audit findings involving said books and records shall have been resolved.

9.3 Other Reports

Upon seventy-two (72) hours written notice, at any reasonable time during the Term, Borrower shall prepare and submit to COUNTY, all additional reports and any financial, program progress, monitoring, evaluation or other reports reasonably required by COUNTY or its representatives as they relate to the Project or this Agreement; provided, however, if such requested reports are not capable of being prepared and submitted to COUNTY within such 72-hour period, then within a reasonable time thereafter. Borrower shall ensure that its employees, agents, officers, and board members furnish such information, which in the reasonable judgment of COUNTY representatives, may be relevant to a question of compliance with this Agreement or the Loan Documents. Borrower shall retain all existing records and data relating to the Project until the later of three (3) years after the Loan is repaid in full or five (5) years after fulfillment of Developer's job creation obligations under Section (1) of the CC&Rs. In the event any litigation, claims or audit is started during the Term, said books and records shall be retained until all litigation, claims or audit findings involving said books and records have been resolved.

9.4 Indemnification

In addition to the provisions of Section 9.7 below, from and after the date hereof, Borrower agrees to and does hereby indemnify, defend and save harmless COUNTY, the Community Development Commission of the County of Los Angeles ("Commission"), and their members, directors, agents, officers and employees and the Community Development Commission of the County of Los Angeles ("Commission") from and against any and all liability, expense, including reasonable defense costs and legal fees of counsel acceptable to COUNTY, and claims (collectively, "Claims") for damages of any nature whatsoever, which Claims arise directly or indirectly from or in connection with the Development Site, the Project or the Security Parcels, including, but not limited to Claims respecting bodily injury, death, property damage, workers' compensation, liability or expense arising from or in connection with services performed on behalf of Borrower or Developer pursuant to this Agreement; provided, however, the foregoing indemnity shall not apply to claims that result solely from the gross negligence or willful misconduct of COUNTY. This covenant shall remain in force and effect following the expiration of the term of the Loan.

9.5 Audit by State and Federal Agencies

Borrower agrees that in the event this Agreement or the Loan is subjected to audit, monitoring or other inspections by appropriate state and federal agencies (collectively, "Inspections"), it shall be responsible for complying with such Inspections and paying, on behalf of itself and COUNTY, the full amount of the liability to the funding agency resulting from such Inspections, unless such Inspections and any resulting liability arises solely from the gross negligence or willful misconduct of COUNTY.

9.6 Program Evaluation and Review

Borrower shall allow COUNTY authorized personnel to inspect and monitor Developer's facilities and program operations as they relate to the Project or this Agreement, including the interview of Developer's staff, tenants, and other program participants, as reasonably required by COUNTY during the Term.

9.7 Hazardous Materials

Borrower represents, warrants and covenants that it has not and shall not (i) deposit "Hazardous Materials" (as defined below) in, on or upon the Development Site or Project, or (ii) permit the deposit of Hazardous Materials in, on or upon the Project. Borrower further covenants and agrees to remove or remediate, at its expense (utilizing Loan proceeds only to the extent if at all expressly authorized by Section 8.0 above, and subject to any reimbursement it may be able to obtain from third parties) any Hazardous Materials located in, on or upon the Development Site or the Project as of the date hereof or which are deposited in, on or upon the Development Site or the Project from and after the date hereof, including any asbestos, lead-based paint and any other Hazardous Materials located in the Project, to the extent required by and in accordance with the requirements of the applicable environmental laws. The foregoing shall not be construed or understood to prohibit Borrower from allowing Hazardous Materials to be brought upon the Project so long as they are materials which are customary and common to the normal course of business in the construction or operation of a well-designed refrigerated food processing building and so long as such materials are used, stored and disposed of in accordance with all applicable governmental restrictions.

Borrower agrees to indemnify, defend and hold COUNTY, the Community Development Commission of the County of Los Angeles ("Commission"), and their members, directors, agents, officers and employees harmless from and against any Claims arising directly or indirectly out of the presence of Hazardous Materials in, on or upon the Development Site or the Project, existing as of the date hereof or deposited (or claimed to have been deposited) in, on or upon the Development Site or the Project, including without limitation any Claims arising out of any deposits of Hazardous Materials described in (i) and (ii) hereinabove or out of Borrower's failure to remove or remediate all such Hazardous Materials in, on or upon the Development Site and the Project, as required above. Borrower hereby releases, waives and discharges COUNTY and its agents, officials and representatives from all present and future claims, demands, suits, legal and administrative proceedings and from all losses and liabilities arising out of or in any way connected with Borrower's ownership of the Development Site, operation of the Project, or any condition of environmental contamination in, on, under, upon or around the Development Site, or the existence of Hazardous Materials in any state in, on, under, upon or around the Development Site, and in connection with such release and waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE

CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.”

For purposes of this Agreement, the term "Hazardous Materials" means, without limitation, gasoline, petroleum products, explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, polychlorinated biphenyls or related or similar materials, asbestos or any other substance or material as may now or hereafter be defined as a hazardous or toxic substance by any federal, state or local environmental law, ordinance, rule or regulation, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act (42 U.S.C. Section 6901 et seq.), (ii) the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), (iii) the Clean Air Act (42 U.S.C. Section 7401 et seq.), (iv) the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984 (42 U.S.C. Section 6902 et seq.), (v) the Toxic Substances Control Act (15 U.S.C. Section 2601-2629), (vi) the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.), (vii) the Carpenter-Presley-Tanner Hazardous Substance Account Act (CA Health & Safety Code Section 25300 et seq.), (viii) the Hazardous Waste Control Law (CA Health & Safety Code Section 25100, et seq.), (ix) the Porter-Cologne Water Quality Control Act (CA Water Code Section 13000 et seq.), (x) the Safe Drinking Water and Toxic Enforcement Act of 1986, (xi) the Hazardous Materials Release Response Plans and Inventory (CA Health & Safety Code Section 25500 et seq.), (xii) the Air Resources Law (CA Health & Safety Code Section 39000 et seq.), or (xiii) in any of the regulations adopted and publications promulgated pursuant to the foregoing.

Borrower shall provide notice to COUNTY within 10 days of Borrower's receipt of any notice from another property owner or governmental agency regarding Hazardous Materials on the Development Site or the Security Parcels.

9.8 Insurance

Without limiting Borrower's indemnification of COUNTY and the Community Development Commission of the County of Los Angeles ("Commission") provided above, Borrower shall cause Developer to procure and maintain at its own expense during the Term of the Loan the insurance described below. Such insurance shall be secured from carriers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide. Borrower shall, prior to the Close of Escrow for the Loan, cause Developer to deliver to COUNTY certificates of insurance with original endorsements evidencing the general liability coverage required by this Agreement. Borrower shall cause Developer to deliver the certificates of insurance evidencing issuance of "all risk" property insurance described in (b) below and worker's compensation insurance described in (c) below at such time that such exposures are at risk, but in no event later than the Close of Escrow. The certificate and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf. COUNTY reserves the right to require complete certified copies of all policies at any time. Said insurance shall be in a form acceptable to COUNTY and may provide for such deductibles as may be acceptable to COUNTY. In the event such insurance does provide for deductibles or self-insurance, Borrower agrees that it will protect COUNTY, its agents, officers and employees in the same manner as these interests would have been protected had full commercial insurance been in effect. Each such certificate shall stipulate that COUNTY is to be given at least thirty (30) days written notice in advance of any modification or cancellation of any policy of insurance.

(a) Liability: Comprehensive liability insurance, including coverage for personal injury, death, property damage and contractual liability, with a combined single limit of at least One Million Dollars (\$1,000,000) for each occurrence (\$2,000,000 General Aggregate), including products and completed operations coverage. COUNTY, the Community Development Commission of the County of Los Angeles ("Commission") and their agents, officials and employees shall be named as additional insureds in each of the

aforementioned insurance policies with respect to liability arising from activities performed by or on behalf of Borrower, Developer, or premises owned, leased or used by such persons. Said insurance shall be primary insurance with respect to COUNTY and Commission. If required by COUNTY or the Commission from time to time, Borrower shall cause Developer to increase the limits of Developer's liability insurance to reasonable amounts customary for owners of improvements similar to the Project. The policy shall contain a waiver of subrogation for the benefit of COUNTY and Commission.

(b) Property Insurance: "All Risk" property insurance, including without limitation builder's risk protection during the course of construction, covering the full replacement value of real property and equipment utilized for the Project. Coverage shall extend to provide debris removal. COUNTY shall be the loss payee under the aforementioned policy under a standard lender's endorsement; provided, however, that solely with respect to the Development Site, Developer's construction lender or permanent lender shall be the loss payee. Earthquake coverage, in form and amount reasonably approved by COUNTY shall be maintained throughout the term of this Agreement; provided, however, that solely with respect to the Development Site, earthquake insurance and the other property insurance described in this paragraph 9.8(b) shall not be required following satisfaction of Developer's job creation obligations under Section (1) of the CC&Rs. The requirement of earthquake insurance shall also be waived by COUNTY for any period during which Borrower or Developer demonstrates, to the reasonable satisfaction of COUNTY's Executive Director, that earthquake coverage is not available at a commercially reasonable cost.

(c) Worker's Compensation: Developer's employees shall be covered by Workers' Compensation insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California and Employers Liability limits of \$1,000,000 per accident.

No modification or waiver of the insurance requirements set forth herein shall be made without the prior written approval of the Executive Director of COUNTY.

Failure on the part of Developer to procure or maintain the insurance coverage required above shall constitute a material breach of this Agreement pursuant to which COUNTY may immediately terminate this Agreement and exercise all other rights and remedies set forth herein, at its sole discretion, and without waiving such default or limiting the rights or remedies of COUNTY, procure or renew such insurance and pay any and all premiums in connection therewith and all monies so paid by COUNTY shall be repaid by the Borrower to COUNTY upon demand including interest thereon at the Default Rate.

9.8 Financial Statements

BORROWER SHALL DELIVER TO COUNTY A COPY OF BORROWER'S ANNUAL AUDITED FINANCIAL STATEMENTS WITHIN SIX (6) MONTHS AFTER THE END OF EACH FISCAL YEAR OF BORROWER OCCURRING DURING THE TERM OF THE LOAN.

9.9 Other Loans

Borrower shall comply (or cause Developer to comply, as applicable) with all monetary and non-monetary covenants associated with any loan, including but not limited to the Other Financing, secured by an interest in the Development Site, the Security Parcels, the Project or other collateral provided for the Loan. Borrower shall provide to COUNTY a copy of any notice of default within three business days after receiving any notice of a default or alleged default of such covenants, and Borrower shall promptly cure any such default and cooperate in permitting COUNTY, to the extent COUNTY in its sole discretion elects to do so, to

cure or assist in curing the default. Any cost or expenditure incurred by COUNTY in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the Loan. With respect to the Development Site and the Project (Phase III) only, the requirements of this Section 9.10 shall apply only until the later of (i) Developer's fulfillment of the job creation requirements in Section (1) of the CC&Rs; or (ii) three years following the date of this Agreement.

10.0 USE OF THE DEVELOPMENT SITE

10.1 Job Creation for Low- and Moderate Income Residents

Borrower shall cause Developer to satisfy and comply with the provisions of the CC&Rs, including but not limited to the provisions of the CC&Rs (i) requiring the creation, within **sixty-three (63) months** following the Close of Escrow for the Loan, of jobs for low and moderate income residents of areas located within a five-mile radius of the Development Site (the foregoing requirement is sometimes referred to below as the "Job Creation Obligation")

10.2 Reports and Records

Borrower shall maintain such records and satisfy such reporting requirements, and shall require Developer to so maintain such records and satisfy such reporting requirements as may be reasonably imposed by COUNTY to monitor compliance with the requirements described in Section 10.1 above.

10.3 Reserved

10.4 Operations and Maintenance

Borrower covenants and agrees for itself, Developer, and their successors and assigns, which covenants shall run with the Development Site and bind every successor or assign in interest of Developer during the term of this Agreement, that during development of the Development Site pursuant to this Agreement and thereafter, neither the Development Site nor the Project, nor any portion thereof, shall be improved, used or occupied in violation of any applicable Governmental Restrictions or the restrictions contained in this Agreement or the Loan Documents. Furthermore, Developer and its successors and assigns shall not maintain, commit, or permit the maintenance or commission on the Development Site, the Security Parcels or in the Project, or any portion thereof, of any nuisance, public or private, as now or hereafter defined by any statutory or decisional law applicable to the Development Site, the Security Parcels or the Project, or any portion thereof.

11.0 BORROWER'S OBLIGATION TO REFRAIN FROM DISCRIMINATION

There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Development Site, nor shall Borrower itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Development Site or any portion thereof. The nondiscrimination and nonsegregation covenants set forth herein shall remain in effect in perpetuity.

11.1 Form of Nondiscrimination and Nonsegregation Clauses.

Borrower and Developer shall refrain from restricting the rental, sale or lease of the Development Site or any portion thereof on the basis of race, color, creed, religion, sex, marital status, national origin, or ancestry of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(b) In leases: "The lessee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased."

(c) In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the parties to this contract or any person claiming under or through them, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the premises."

12.0 BORROWER'S CONSTRUCTION COVENANTS

Borrower shall cause Developer to complete construction of the Project, on or before the third anniversary of the Close of Escrow for the Loan, as follows:

12.1 Completion of the Project.

For the purposes hereof, "Completion" shall be deemed to have occurred when COUNTY has received satisfactory evidence that not less than Eighty-two Thousand (82,000) square feet of building area in the Project has been completed in compliance with the plans and specifications (collectively, the "Plans") referenced in the construction contract (the "Construction Contract") which Developer has entered into with a general contractor (the "Contractor") with respect to the Project, and with this Agreement and that all final permits and certificates necessary to the operation of the Project as contemplated herein have been obtained, including, without limitation, the following, each of which is subject to COUNTY's review and approval:

(a) A certificate of occupancy (the "Certificate of Occupancy") and any other final permits and licenses necessary to permit the use and occupancy of the Project for its intended purposes, which have been issued by proper governmental agencies.

(b) Certificates of insurance issued by Developer's insurance agent evidencing compliance with all insurance requirements set forth in the Loan Documents.

(c) Unconditional Waivers and Releases Upon Final Payment, in statutory form, showing no amounts in dispute (other than disputed liens which have been bonded by Developer for at least 125% of the disputed amount), from the Contractor, all subcontractors, and all other persons or entities providing services or furnishing material in connection with the Project.

12.2 Construction.

Borrower shall cause the construction of the Project to be done in a good and workmanlike manner substantially according to the Plans and this Agreement. In constructing the Project, Borrower shall cause Developer to comply in all material respects with all applicable laws and regulations. If necessary, the Plans shall be modified to comply in all material respects with all applicable laws and regulations. COUNTY shall have inspected the Project, as completed, and verified to its reasonable satisfaction that the completed Project conforms to the scope and design represented in Borrower's and Developer's application to COUNTY for the Loan, with any later modifications approved by COUNTY (and by HUD, if applicable).

12.3 Barriers to the Disabled.

Borrower shall cause the Project to be developed to comply with all applicable federal, state and local requirements for access for disabled persons.

12.4 Lead-Based Paint.

Borrower shall insure that Developer and its contractors and subcontractors shall not use lead-based paint in construction or maintenance of the Project. Borrower shall cause this provision to be incorporated in all contracts and subcontracts for work performed on the Development Site which involve the application of paint.

13.0 INDEPENDENT CONTRACTOR

In their performance of this Agreement, all parties hereto will be acting in an independent capacity and not as agents, employees, partners, joint venturers, or associates of one another. The employees or agents of one party shall not be deemed or construed to be the agents or employees of the other party for any purpose whatsoever, including workers' compensation liability. Borrower shall bear the sole responsibility and liability for causing Developer and its Contractor to furnish workers' compensation benefits to any person for injuries arising from or connected with the Project or this Agreement.

14.0 ASSIGNMENT OF THIS AGREEMENT

This Agreement shall be assignable by Borrower only if Borrower obtains the prior express written consent of COUNTY, which consent may be withheld by COUNTY in its sole discretion. Notwithstanding anything which may be or appear to be herein to the contrary, no purported assignment of this Agreement and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Governmental Restrictions. COUNTY's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by COUNTY including, without limitation, any and all documents deemed necessary by COUNTY to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) COUNTY's approval of the financial and credit worthiness of such proposed assignee.

Any attempt by Borrower or Developer to assign any performance or benefit under the terms of this

Agreement, without the prior written consent of COUNTY as provided herein, shall be null and void and shall constitute a material breach of this Agreement. In accordance with the foregoing, in the event of (i) a sale or transfer of Developer's interest in the Development Site, the Security Parcels, or the Project, or (ii) a sale or transfer of more than forty-nine percent (49%) of Developer's present ownership and/or control in the Development Site, the Security Parcels, or the Project, in the aggregate, taking all transfers into account on a cumulative basis, or (iii) a sale or transfer of the in the Development Site, the Security Parcels, or the Project, occurring without the prior express written consent of COUNTY, COUNTY may, at its option, by written notice to Borrower, declare Borrower in default under this Agreement. Developer's leasing of portions of the Project to bona fide tenants is hereby permitted and shall not require COUNTY consent. In addition the following transfers by Developer shall be permitted and shall not require COUNTY consent: (i) transfers for estate planning purposes; (ii) between its members (as they exist on the date of this Agreement); (iii) between its members and their family members; and (iv) encumbrances of all or any portion of the Development Site which are both subordinate to the CC&Rs and granted in connection with construction or permanent financing for the Project. For this purpose, a person's "family members" shall be limited to his or her children, grandchildren, siblings, parents, grandparents, and the spouses of any of the foregoing.

Solely with respect to the Development Site, the foregoing restrictions in this Section 14 shall apply only until Developer's job creation and reporting obligations under Section (1) of the CC&Rs have been fully performed.

15.0 EVENTS OF DEFAULT AND REMEDIES

15.1 Borrower Events of Default.

The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("Event of Default"):

(a) The failure of Borrower or Developer to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note or any of the Loan Documents, without curing such failure within ten (10) days after receipt of written notice of such default from COUNTY (or from any party authorized by COUNTY to deliver such notice as identified by COUNTY in writing to Borrower). Notwithstanding anything herein to the contrary, no notice requirement or cure period shall apply to a failure by Borrower to make timely payments of principal and interest in advance of payment dates on the HUD Loan as specified in Section 2.3 above;

(b) The failure of Borrower or Developer to perform any non-monetary covenant or obligation hereunder or under the terms of the Note or any of the Loan Documents, without curing such failure within thirty (30) days after receipt of written notice of such default from COUNTY (or from any party authorized by COUNTY to deliver such notice as identified by COUNTY in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in Sections 15.1 (c) through 15.1 (i) below;

(c) The falsity of any material representation or material warranty made by Borrower or Developer under the terms of this Agreement or any of the Loan Documents;

(d) Borrower or Developer or any constituent member or partner (excluding members or partners having less than a 33% interest in the aggregate), or majority shareholder, of Borrower or Developer shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(e) If a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower, Developer or any constituent member or partner (excluding members or partners having less than a 33% interest in the aggregate), or majority shareholder, of Borrower or Developer, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or Developer or of all or any substantial part of Borrower's or Developer's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower or Developer, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(f) Following completion of the acquisition of the Project, voluntary or involuntary cessation of the operation of the Project for a continuous period of more than three hundred sixty (360) days;

(g) COUNTY shall at any time or times during the term of the Loan reasonably determine that the outstanding balance of the Loan (excluding interest) exceeds eighty-five percent (85%) of the fair market value of the Security Parcels;

(h) Borrower or Developer shall suffer or attempt to effect a Transfer (as defined below) in violation of Section 14 above or Section 30 below; or

(i) Borrower or Developer shall be in default under the terms of any other secured or unsecured obligation to a third party relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default. This paragraph 15.1(i) shall apply only until the later of (i) Developer's fulfillment of the job creation requirements in Section (1) of the CC&Rs; or (ii) three years following the date of this Agreement.

15.2 COUNTY Remedies

Upon the occurrence of an Event of Default hereunder, COUNTY may, in its sole discretion, take any one or more of the following actions:

(a) By notice to Borrower, except in the case of an Event of Default under Section 15.1 (c) or Section 15.1 (d), in which event no notice shall be required, declare the entire then unpaid balance of the Loan and any accrued interest and other amounts immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are expressly waived. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in

full;

(b) Take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of COUNTY, to collect the amounts then due and thereafter to become due hereunder and under the Note, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower or Developer under this Agreement or under any other document executed in connection herewith, including but not limited to drawing on collateral pursuant to the Escrow Agreement and the Pledge and Security Agreement, **if any**;

(c) Upon the occurrence of an Event of Default which is occasioned by Borrower's or Developer's failure to pay money, whether under this Agreement or any other provision of the Loan Documents, COUNTY may, but shall not be obligated to, make such payment. If such payment is made by COUNTY, Borrower shall deposit with COUNTY, upon written demand therefore, such sum plus interest at the Default Rate. In either case, the Event of Default with respect to which any such payment has been made by COUNTY shall not be deemed cured until such repayment (as the case may be) has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under the Note;

(d) Upon the occurrence of an Event of Default described in Section 15.1(d) or 15.1(e) hereof, COUNTY shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of COUNTY and its counsel to protect the interests of COUNTY and to collect and receive any monies or other property in satisfaction of its claim.

15.3 No Remedy Exclusive

No remedy herein conferred upon or reserved to COUNTY is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as COUNTY may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by COUNTY. In order to entitle COUNTY to exercise any right or remedy reserved to it under this Agreement, no notice shall be required except as expressly provided herein.

15.4 COUNTY Default and Borrower Remedies

Upon fault or failure of COUNTY to meet any of its obligations under this Agreement without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

(a) Demand and obtain payment from COUNTY of any sums due to or for the benefit of Borrower pursuant to the express terms of this Agreement;

(b) Bring an action in equitable relief seeking the specific performance by COUNTY of

the terms and conditions of this Agreement or seeking to enjoin any act by COUNTY which is prohibited hereunder; and

(c) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Agreement.

Notwithstanding the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from COUNTY arising out of or in connection with this Agreement, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

16.0 DEVELOPER CURE RIGHTS

Developer shall have the right to notices pursuant to Section 22 below and shall have the right to cure any Borrower default to the same extent, if any, and in the same time periods as applicable to Borrower's cure rights under Section 15 above.

17.0 [Intentionally Left Blank]

18.0 RIGHT OF ACCESS AND INSPECTION

Representatives of COUNTY shall have the right at any time during normal business hours and from time to time to enter upon the Development Site for purposes of inspection. Inspection by COUNTY of the Project or the Development Site or any construction thereof is for the sole purpose of protecting COUNTY and is not to be construed as an acknowledgment, acceptance or representation by COUNTY or the County of Los Angeles that there has been compliance with any Plans approved pursuant to this Agreement, or any terms or provisions of this Agreement, or that the Project or the Development Site or any of the construction thereof is or will be free of faulty materials or workmanship. Notwithstanding the foregoing, following completion of applicable portions of the Project, inspection of portions of the Property occupied by tenants shall be conducted by COUNTY only with reasonable notice at a time mutually convenient for COUNTY and the tenant.

19.0 CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY

No official or employee of COUNTY or Borrower shall have any personal interest, direct or indirect, in this Agreement, nor shall any official or employee of COUNTY or Borrower participate in any decision relating to this Agreement which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of COUNTY or Borrower shall be personally liable in the event of a breach of this Agreement by COUNTY or Borrower.

20.0 AMENDMENTS, CHANGES AND MODIFICATIONS

This Agreement may not be amended, changed, modified, altered or terminated without the prior written consent of the parties hereto.

21.0 EXECUTION OF COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same document.

22.0 NOTICES

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Agreement shall be in writing and shall be given by personal delivery, certified mail, return receipt requested, or overnight guaranteed delivery service and addressed as follows:

If to COUNTY: c/o Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director

With a copy to: Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Community Development Block Grant Division

If to Borrower: The City of Commerce
2535 Commerce Way
Commerce, CA 90040
Attn: City Administrator

With copies to: The City of Commerce
2535 Commerce Way
Commerce, CA 90040
Attention: City Attorney

Dedeaux Properties, LLC,
4000 Noakes Street
Commerce, CA 90023-3226
Attn: Mr. Raoul Dedeaux

Notices shall be effective upon receipt, if given by personal delivery, the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail, and one (1) business day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Agreement.

23.0 SEVERABILITY

The invalidity or unenforceability of any one or more provisions of this Agreement will in no way affect any other provision.

24.0 INTERPRETATION

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of

this Agreement are for convenience only and do not define or limit any terms or provisions. Borrower shall be responsible for causing Developer to comply with any covenants which are stated herein to be obligations of Developer. Time is of the essence in the performance of this Agreement by Borrower. Each Party has been represented by counsel in the negotiation of this Agreement, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Agreement, nothing herein or in the Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of the Note shall be interpreted to require in each instance the lesser of (i) the amount stated in the Note; and (ii) the maximum applicable legal limit. Attached hereto for the convenience of the Parties as Exhibit A is a directory indicating the location of definitions for certain defined terms used in this Agreement. In the event of any conflict between the body of this Agreement and Exhibit A, the body of this Agreement shall prevail and supersede. All references in the Loan Documents to the COUNTY's "Executive Director" shall be deemed to refer to the Executive Director of the Community Development Commission of the County of Los Angeles ("CDC"). Borrower acknowledges that the CDC and the CDC's officials and employees are agents of the COUNTY for purposes of Section 9.4 and the other release and indemnification provisions in the Loan Documents.

25.0 NO WAIVER; CONSENTS

Any waiver by COUNTY must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by COUNTY to take action on account of any default of Borrower. Consent by COUNTY to any act or omission by Borrower will not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for COUNTY's consent to be obtained in any future or other instance.

26.0 MISCELLANEOUS

A. Governing Law

This Agreement shall be governed by the laws of the State of California and applicable federal law.

B. Termination for Improper Consideration

COUNTY may, by written notice to Borrower, Dedeaux Properties, LLC, immediately terminate the right of Borrower and Developer to proceed under this Agreement if it is found that consideration, in any form, was offered or given by Borrower or Developer, either directly or through an intermediary, to any COUNTY officer, employee or agent with the intent of securing the Agreement or securing favorable treatment with respect to the award, amendment or extension of the Agreement or the making of any determinations with respect to the Borrower's or Developer's performance pursuant to the Agreement. In the event of such termination, COUNTY shall be entitled to pursue the same remedies against the Borrower as it could pursue upon an Event of Default.

Borrower shall immediately report any attempt by a COUNTY officer or employee to solicit such improper consideration. The report shall be made either to the Commission's Executive Director or to the County Auditor-Controller's Employee Fraud Hotline at (800) 544-6861.

Among other items, such improper consideration may take the form of cash, discounts, service provision of travel or entertainment, or tangible gifts.

C. Commission's Quality Assurance Plan

COUNTY or its agent will evaluate Borrower's performance under this Agreement on not less than an annual basis. Such evaluation will include assessing Borrower's compliance with all contract terms and performance standards. Borrower deficiencies which COUNTY determines are severe or continuing and that may place performance of the Agreement in jeopardy if not corrected will be reported to COUNTY's Board of Commissioners. The report will include improvement/corrective action measures to be taken by Borrower. If improvement does not occur consistent with the corrective action measures within the cure period set forth in Section 15.1 above, COUNTY may terminate this Agreement or pursue other remedies as specified in this Agreement.

D. Compliance with Laws

Borrower agrees to be bound by applicable federal, state, and local laws, regulations and directives as they pertain to the performance of the Agreement. To the extent applicable, this Agreement is subject to and incorporates the terms of the Housing and Community Development Act of 1974, as amended by the Cranston-Gonzales National Affordable Housing Act, 1990 and the Code of Federal Regulations (CFR) Part 85, and Section 3 of the Housing and Community Development Act of 1968, As Amended, 12 U.S.C. 1701 Et Seq.

Borrower shall require Developer to comply with any applicable portions of Section 3 of the Housing and Community Development Act of 1968, as amended 12 U.S.C. 1701 Et Seq. which requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the Project area and contracts for work in connection with the Project be awarded to business concerns which are located in or owned in substantial part by persons residing in the area of the Project.

E. Borrower's Warranty Adherence to Child Support Compliance Program

Borrower acknowledges that COUNTY has established a goal of ensuring that all individuals who benefit financially from COUNTY through contract are in compliance with their court-ordered child, family and spousal obligations in order to mitigate the economic burden otherwise imposed upon COUNTY and the taxpayers of Los Angeles County ("County").

As required by County's Child Support Program (County Code Chapter 2.200) and without limiting Borrower's duty under this Agreement to comply with all applicable provisions of law, Borrower warrants that it is now in compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653 a) and California Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or District Attorney Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code of Civil Procedure Section 706.031 and Family Code Section 5246(b).

F. Termination For Breach Of Warranty To Comply With County's Child Support Compliance Program

Failure of Borrower to maintain compliance with the requirements set forth in Section 26.0 F, "BORROWER'S WARRANTY OF ADHERENCE TO COUNTY CHILD SUPPORT COMPLIANCE PROGRAM" shall constitute default under this contract. Without limiting the rights and remedies available to County under any other provision of this contract, failure of Borrower to cure such default within 90 calendar days of written notice shall be grounds upon which County may terminate this contract pursuant to Paragraph 14 - "TERMINATION FOR CAUSE" and pursue debarment of Contractor, pursuant to County Policy.

G. Post Most Wanted Delinquent Parents List

The Borrower acknowledges that the County places a high priority on the enforcement of child support laws and the apprehension of child support evaders. The Borrower understands that it is County's policy to strongly encourage all Borrowers to voluntarily post an entitled "L.A.'s Most Wanted: Delinquent Parents" poster in a prominent position at Borrower's place of business. The Child Support Services Department (CSSD) will supply Borrower with the poster to be used.

H. Consideration of GAIN Program Participants For Employment

Should Borrower require additional or replacement personnel after the effective date of this Agreement, Borrower shall give consideration for any such employment openings to participants in the County's Department of Public Social Services' Greater Avenues for Independence (GAIN) Program or General Relief Opportunity for Work (GROW) Program who meet Borrower's minimum qualifications for the open position. The Borrower shall contact the County's GAIN/GROW Division at (626) 927-5354 for a list of GAIN/GROW participants by job category. The Borrower shall contact the County's GAIN/GROW Division at (626) 927-5354 for a list of GAIN/GROW participants by job category. Borrower shall require Developer to do the same.

27.0 REPRESENTATIONS AND WARRANTIES OF BORROWER

Borrower hereby warrants and represents to COUNTY that:

A. Organization and Standing. Borrower is a legal entity as described in the Transaction Summary above, duly organized, qualified to operate in California and validly existing and in good standing in the State of California and has all requisite power and authority to enter into and perform its obligations under this Agreement, the Note, the Deed of Trust, the CC&Rs, and all other documents executed in connection herewith.

B. Enforceability. This Agreement, the Note, the Deed of Trust, the CC&Rs, and all other instruments to be executed by Borrower and Developer in connection with the Loan constitute the legal, valid and binding obligation of Borrower and Developer, without joinder of any other party.

C. Authorization and Consents. The execution, delivery and performance of this Agreement and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement, articles and bylaws, charter, code and ordinances, as applicable, governing Borrower, and have been duly authorized by all necessary action of Borrower's council members, commissioners, partners, directors, officers, members and shareholders.

D. Due and Valid Execution. This Agreement and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower and Developer.

E. Licenses. Borrower and Developer will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance. To Borrower's current actual knowledge, there are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower or Developer (other than those as have been previously disclosed in writing to COUNTY) which could materially impair its ability to perform its obligations under this Agreement, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its

obligations under this Agreement.

G. Default. To Borrower's current actual knowledge, there are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 15.

H. No Violations. The execution and delivery of this Agreement, the Note, and all other documents executed or given hereunder, and the performances thereunder by Borrower and Developer, as applicable, will not constitute a breach of or default under any instrument or agreement to which Borrower or Developer may be a party nor, to Borrower's current actual knowledge, will the same constitute a breach of or violate any law or governmental regulation.

28.0 APPROVALS.

Any review or approval of any matter by COUNTY or any COUNTY official or employee under this Agreement shall be solely for the benefit of COUNTY, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and Developer, and not COUNTY, shall be solely responsible for assuring compliance with laws, the suitability of the Development Site for the Project, the adequacy of the Plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

29.0 GOOD FAITH AND FAIR DEALING.

COUNTY and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

30.0 ASSIGNMENT OF INTEREST IN THE SITE OR THE PROJECT.

30.1 Without the prior written approval of COUNTY, which approval COUNTY may withhold in its sole and absolute discretion, neither Borrower nor Developer shall (i) sell, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Development Site, the Security Parcels or the Project (excluding tenant leases pursuant to the terms hereof), (ii) permit the Transfer of greater than 49% of its ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis; or (iii) Transfer any of its rights or obligations under the Loan Documents. Borrower hereby agrees that any purported Transfer not approved by COUNTY as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Borrower under such a proscribed Transfer shall acquire any rights pursuant to this Agreement. Developer's leasing of portions of the Project to bona fide tenants is hereby permitted and shall not require COUNTY consent. In addition, the following transfers by Developer shall be permitted and shall not require COUNTY consent: (i) transfers for estate planning purposes; (ii) between its members (as they exist on the date of this Agreement); (iii) between its members and their family members (as defined in Section 14.0 above); and (iv) encumbrances of all or any portion of the Development Site which are both subordinate to the CC&Rs and granted in connection with construction or permanent financing for the Project.

30.2 At any time Borrower or Developer desires to effect a Transfer hereunder, they shall notify COUNTY in writing (the "Transfer Notice") and shall submit to COUNTY for its prior written approval (i) all proposed agreements and documents (collectively, the "Transfer Documents") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by Borrower, Developer and the proposed transferee to COUNTY sufficient to establish and insure that all requirements of this Section 30 have been and will be met.

No Transfer Documents shall be approved by COUNTY unless they expressly provide for the assumption by the proposed transferee of all of Borrower's and Developer's obligations under the Loan Documents. The Transfer Notice shall include a request that COUNTY consent to the proposed Transfer. COUNTY agrees to make its decision on Borrower's request for consent to such Transfer, as promptly as possible, and, in any event, not later than thirty (30) days after COUNTY receives the last of the items required by this Section 30. In the event COUNTY consents to a proposed Transfer, then such Transfer shall not be effective unless and until COUNTY receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Borrower to COUNTY.

30.3 Notwithstanding anything in this Agreement which may be or appear to be to the contrary, Borrower agrees that neither Borrower nor Developer shall be permitted to make any Transfer, whether or not COUNTY consent is required therefore and even if COUNTY has consented thereto, if there exists an Event of Default under this Agreement at the time the Transfer Notice is tendered to COUNTY or at any time thereafter until such Transfer is to be effective.

30.4 The provisions of this Section 30 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Borrower and Developer under the terms set forth herein.

30.5 Solely with respect to the Development Site (Phase III) the foregoing restrictions in this Section 30 shall apply only until Developer's job creation and reporting obligations under Section (1) of the CC&Rs have been fully performed.

31. ADDITIONAL HUD REQUIREMENTS

31.1 Regulatory Compliance

In carrying out activities utilizing Loan proceeds, and in Project operations, the Borrower agrees to comply with Title I of the Housing and Community Development Act of 1974, as amended (the "Act") and 24 CFR Part 570. Borrower shall also maintain its CDBG Program in compliance with the Act and 24 CFR Part 570.

31.2 Investment of Loan Funds

Until used to pay contractors and other eligible Project costs, any Loan proceeds disbursed for the account of Borrower shall be invested within 72 hours of disbursement of Loan proceeds to Borrower, solely in U.S. Treasury notes, U.S. Treasury bonds, U.S. Treasury bills, or other qualifying federal agency issues that have a full faith credit guarantee from the U.S. Government. In no event shall Borrower invest Loan proceeds in any other investments, including but not limited to bonds and obligations issued by Fannie Mae or Freddy Mac. Borrower shall remit bank statements on the investment account containing Loan proceeds to COUNTY on a monthly basis, until the Loan funds have been fully expended and disbursed for Project costs. Interest earned by Borrower on Loan funds is Program Income, which must be returned to the COUNTY within 30 days such interest was earned in order to use it to repay the Loan.

31.3 Availability of Loan Funds

Notwithstanding any other provision of this Agreement, the availability of Loan proceeds to Borrower is contingent upon HUD's making corresponding funds available to COUNTY under the HUD Loan. COUNTY shall have no liability to the Borrower if HUD for any reason does not provide the HUD Loan proceeds to COUNTY.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year first above written.

COUNTY:

COUNTY OF LOS ANGELES

By: _____
Carlos Jackson, Executive Director
Community Development Commission
of the County of Los Angeles

APPROVED AS TO FORM:
Raymond G. Fortner, Jr.
County Counsel

By: _____
Deputy

BORROWER:

CITY OF COMMERCE, a California municipal
corporation

By: _____
Thomas Sykes, City Administrator

APPROVED AS TO FORM:

By: _____
Eduardo Olivo, City Attorney

TABLE OF EXHIBITS

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EXHIBIT "C"	LEGAL DESCRIPTION OF SECURITY PARCELS
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EXHIBIT "O"	COMMERCIAL GUARANTEE AGREEMENTS
EXHIBIT "P"	HUD COMMITMENT LETTER

EXHIBIT “A” TO COUNTY LOAN AGREEMENT

DIRECTORY OF DEFINED TERMS

Each of the following terms is defined in the section of the Loan Agreement referenced in parentheses.

Agreement (preamble)	Other Financing (Recital B)
Annual Statement (Section 9.9)	Parties (preamble)
Assignment (Section 5.0)	Party (preamble)
Base Rate (Section 2.2)	Permitted Encumbrances (Section 6.3(k))
Borrower (preamble)	Plans (Section 12.1)
CC&Rs (Section 6.3(c))	Pledge & Security Agreement (Section 5.0(i))
CDBG (Recital B)	Project (Recital A)
COUNTY (preamble)	Security Parcels (Section 5)
Certificate of Occupancy (Section 12.1(b))	Sellers (Section 6.3(q))
City UCC-1 (Section 6.3(g))	Term (Section 9.2)
Claims (Section 9.4)	Title Company (Section 6.3(k))
Close of Escrow (Section 6.4)	Transfer (Section 30.1)
Closing Conditions (Section 6.3)	Transfer Documents (Section 30.2)
Closing Deadline (Section 6.3)	Transfer Notice (Section 30.2)
Completion of the Project (Section 12.1)	
Construction Contract (Section 12.1)	
Contractor (Section 12.1)	
Conversion Date (Section 2.2)	
County (Section 26.0(E))	
Deed of Trust (Section 5)	
Default Rate (Section 2.2)	
Developer (Recital A)	
Developer Note (Section 2.1)	
Developer UCC-1 (Section 6.3(e))	
Development Site (Recital A)	
Escrow (Section 6.1)	
Escrow Agreement (Section 5.0(i))	
Escrow Holder (Section 6.1)	
Event of Default (Section 15)	
Governmental Restrictions (Section 9.1)	
Hazardous Materials (Section 9.7)	
HUD (Recital A)	
HUD Commitment Letter (Section 6.3(q))	
HUD Loan (Section 2.3)	
HUD Note (Section 2.2)	
Letter of Credit (Section 2.1)	
Loan (Recital A)	
Loan Documents (Section 6.3(j))	
Maturity Date (Section 2.3)	
Note (Section 2.1)	

2/25/05

4

EXHIBIT "A"

EXHIBIT B

TO

EXHIBIT C

GRANT DEED

THOSE PORTIONS OF LOTS 39 AND 40, OF THE RANCHO LAGUNA, IN THE CITY OF COMMERCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, ACCORDING TO THE MAP ATTACHED TO THE FINAL DECREE OF PARTITION IN CASE NO. B-25296, SUPERIOR COURT OF SAID COUNTY, RECORDED IN BOOK 6387 PAGE 1 OF DEEDS, IN THE OFFICE OF THE COUNTY RECORDER, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF LOT 6, IN BLOCK 12, OF TRACT NO. 4510, AS PER MAP RECORDED IN BOOK 49 PAGES 27 AND 28 OF MAPS, RECORDS OF SAID COUNTY; THENCE SOUTH 89° 56' 50" EAST, 331.34 FEET ALONG THE SOUTHERLY LINE OF SAID TRACT NO. 4510 TO A POINT DISTANT THEREON NORTH 89° 56' 50" WEST, 30 FEET FROM THE SOUTHWEST CORNER OF LOT 6, BLOCK 13, TRACT NO. 4510; THENCE SOUTH 0° 03' 50" WEST, 50 FEET; THENCE SOUTH 89° 56' 50" EAST, 30 FEET; THENCE SOUTH 0° 03' 50" WEST, 902.58 FEET TO A POINT ON THE EASTERLY PROLONGATION OF THE NORTHERLY LINE OF NOAKES STREET, AS SAID NOAKES STREET IS DESCRIBED IN PARCEL "C" OF EASEMENT RECORDED IN BOOK 33884 PAGE 323, OFFICIAL RECORDS OF SAID COUNTY, DISTANT WESTERLY 314.18 FEET, MEASURED ALONG SAID EASTERLY PROLONGATION FROM THE WESTERLY LINE OF BONNIE BEACH PLACE, AS SAID BONNIE BEACH PLACE IS DESCRIBED IN EASEMENT RECORDED IN BOOK 4482 PAGE 9, OFFICIAL RECORDS OF SAID COUNTY; THENCE NORTH 83° 54' 30" WEST, 348.35 FEET, ALONG SAID EASTERLY PROLONGATION OF NOAKES STREET; THENCE LEAVING SAID EASTERLY PROLONGATION OF NOAKES STREET, NORTH 41° 55' 20" WEST, 22.30 FEET; THENCE NORTH 0° 03' 50" EAST, 899.36 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM ALL MINERALS AND ALL MINERAL RIGHTS OF EVERY KIND AND CHARACTER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING, WITHOUT LIMITING, THE GENERALITY OF THE FOREGOING, OIL AND GAS AND RIGHTS THERETO, TOGETHER WITH THE SOLE, EXCLUSIVE AND PERPETUAL RIGHT TO EXPLORE FOR, REMOVE AND DISPOSE OF SAID MINERALS BY ANY MEANS OR METHODS SUITABLE TO THE FIRST PARTY, ITS SUCCESSORS AND ASSIGNS, BUT WITHOUT ENTERING UPON OR USING THE SURFACE OF SAID LANDS, AND IN SUCH MANNER AS NOT TO DAMAGE THE SURFACE OF SAID LANDS, OR TO INTERFERE WITH THE USE THEREOF, AS EXCEPTED AND RESERVED BY UNION PACIFIC RAILROAD COMPANY, A UTAH CORPORATION, IN DEED RECORDED JULY 27, 1954 IN BOOK 45161 PAGE 93, OFFICIAL RECORDS.

99 2010266

EXHIBIT A

That certain parcel of land situated in the City of Commerce, County of Los Angeles, State of California being that portion of Lot 38, of Rancho Laguna as shown on map files as Exhibit "A" in Case No. 825296 of the Superior Court of the State of California, as per map recorded in Book 6387, page 1 of Deeds, records of said County, more particularly described as follows:

Beginning at the northeast corner of Lot 53 of Tract No. 8337 as per map recorded in Book 126, pages 81 and 82 of Maps, records of said County; thence along the southerly line of Hoakes Street, 60.00 feet wide, South $83^{\circ}54'30''$ East, 341.33 feet to the northeast corner of that certain parcel of land conveyed to Brown Steel Supply Corporation by deed recorded in Book 41060, page 251, records of said County; thence along the westerly line of said Brown Steel Corporation land south $6^{\circ}05'30''$ west, 172.50 feet to the southwest corner of the last mentioned land; thence north $82^{\circ}45'31''$ west, 323.05 feet to a point on the east line of said Lot 53; thence along said east line of said Lot 53 north $0^{\circ}12'50''$ west, 167.03 feet to the point of beginning.

EXCEPTING from this grant and reserving unto the GRANTOR, its successors and assigns, forever, all minerals and all mineral rights of every kind and character now known to exist or hereafter discovered, including without limiting the generality of the foregoing, oil and gas and rights thereto, together with the sole, exclusive and perpetual right to explore for, remove and dispose of said minerals by any means or methods suitable to the GRANTOR, its successors and assigns, but without entering upon or using the surface of the lands hereby conveyed, and in such manner as not to damage the surface of said lands or to interfere with the use thereof by the GRANTEE as reserved in the Deed from Grantor, Union Pacific Land Resources Corporation, a Utah corporation, to Grantee, Dedeaux Enterprises, a California general partnership, recorded December 21, 1976, as instrument 1734, in the County of Los Angeles.

EXHIBIT "A"

99 2010267

that certain parcel of land situate in the City of Los Angeles, County of Los Angeles, State of California, being all of Lot 53, of Tract 8337, as per map recorded in Book 126, pages 81 and 82 of Maps, records of said County.]

EXCEPTING from this grant and reserving unto the GRANTOR, its successors and assigns, forever, all minerals and all mineral rights of every kind and character now known to exist or hereafter discovered, including without limiting the generality of the foregoing, oil and gas and rights thereto, together with the sole, exclusive and perpetual right to explore for, remove and dispose of said minerals by any means or methods suitable to the GRANTOR, its successors and assigns, but without entering upon or using the surface of the lands hereby conveyed, and in such manner as not to damage the surface of said lands or to interfere with the use thereof by the GRANTEE as reserved in the Deed from Grantor, Union Pacific Land Resources Corporation, a Utah corporation, to Grantee Dedeaux Enterprises, a California general partnership, recorded December 16, 1976, as instrument 1743, in the County of Los Angeles.

APN 5242-024-001

EXHIBIT A

99 2010268

DESCRIPTION:

THAT PORTION OF LOT 38, RANCHO LAGUNA, IN THE CITY OF COMMERCE, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON MAP FILED AS EXHIBIT "A" IN CASE NO. 8 25296 OF THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 6387 PAGE 1 OF DEEDS, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTHERLY LINE OF NOAKES STREET DESCRIBED AS PARCEL C, IN THAT CERTAIN EASEMENT TO SAID COUNTY, RECORDED AUGUST 3, 1950 IN BOOK 33884 PAGE 323 OFFICIAL RECORDS OF SAID COUNTY, DISTANT THEREON SOUTH 83 DEGREES 54 MINUTES 30 SECONDS EAST 341.33 FEET FROM THE NORTHEAST CORNER OF LOT 53, TRACT 8337, RECORDED IN BOOK 126 PAGES 81 AND 83 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE CONTINUING ALONG SAID SOUTHERLY LINE SOUTH 83 DEGREES 54 MINUTES 30 SECONDS EAST 450.00 FEET TO A POINT ON A CIRCULAR CURVE FROM WHICH THE CENTER BEARS NORTH 73 DEGREES 45 MINUTES 16 SECONDS EAST 248.20 FEET; THENCE SOUTHEASTERLY ALONG SAID CURVE AN ARC DISTANCE OF 49.77 FEET TO A POINT ON A TANGENT CIRCULAR CURVE FROM WHICH THE CENTER BEARS NORTH 62 DEGREES 15 MINUTES 56 SECONDS EAST 372.33 FEET; THENCE SOUTHEASTERLY ALONG SAID CURVE, AN ARC DISTANCE OF 199.04 FEET; THENCE PARALLEL TO SAID SOUTHERLY LINE, NORTH 83 DEGREES 54 MINUTES 30 SECONDS WEST 622.13 FEET TO A POINT DISTANT SOUTH 06 DEGREES 05 MINUTES 30 SECONDS WEST 172.50 FEET FROM THE POINT OF BEGINNING; THENCE NORTH 06 DEGREES 05 MINUTES 30 SECONDS EAST 172.50 FEET TO THE POINT OF BEGINNING.

EXCEPTING FROM SAID LAND ALL MINERALS AND ALL MINERAL RIGHTS OF EVERY KIND AND CHARACTER NOW KNOWN TO EXIST OR HEREAFTER DISCOVERED, INCLUDING WITHOUT LIMITING THE GENERALITY OF THE FOREGOING OIL AND GAS AND RIGHTS THERETO, TOGETHER WITH THE SOLE, EXCLUSIVE AND PERPETUAL RIGHT TO EXPLORE FOR, REMOVE AND DISPOSE OF SAID MINERALS BY ANY MEANS OR METHODS SUITABLE TO THE GRANTOR, ITS SUCCESSORS AND ASSIGNS, BUT WITHOUT ENTERING UPON OR USING THE SURFACE OF SAID LAND, OR IN SUCH MANNER AS NOT TO DAMAGE THE SURFACE OF SAID LAND OR TO INTERFERE WITH THE USE THEREOF BY THE GRANTEE, ITS SUCCESSORS ASSIGNS, AS EXCEPTED AND RESERVED BY UNION PACIFIC RAILROAD COMPANY, A CORPORATION IN DEED RECORDED FEBRUARY 26, 1953 IN BOOK 41060 PAGE 251 OFFICIAL RECORDS.

EXHIBIT "P" TO COUNTY LOAN AGREEMENT

HUD COMMITMENT LETTER

PROMISSORY NOTE

(Section 108 - Commerce Industrial Park -DART Development Project)

\$ 10,000,000

_____, 2005

For value received, the undersigned, the CITY OF COMMERCE, a California municipal corporation ("Borrower") whose principal address is set forth hereinbelow, promises to pay to the order of the COUNTY OF LOS ANGELES, a public body corporate and politic ("COUNTY") at Two Coral Circle, Monterey Park, California 91755-7425 (or to such designee and/or at such other address as COUNTY may from time to time designate in writing), the principal sum of **Ten Million Dollars (\$ 10,000,000)** (the "Loan"), or such amount as may be advanced hereunder, plus accrued and unpaid interest as provided hereinbelow, in accordance with the terms and conditions of that certain Loan Agreement dated as of _____, 2005, entered into between Borrower and COUNTY (the "Loan Agreement"), and the terms and conditions of this Promissory Note (this "Note"). As set forth in greater detail in the Loan Agreement, the purpose of the Loan is to provide Borrower with funds to provide, in turn, a loan Dedeaux Properties, LLC, a California limited liability company ("Developer") for use, as more particularly described in Section 6 below, in acquiring land and other expenses associated with acquiring an existing 175,000 square foot building at 4209 Noakes Street and the acquisition of a new 102,000 square foot refrigerated food processing building at 4000 Noakes Street in the City of Commerce.

1. Interest.

1.1 Basic Interest. The Borrower and COUNTY contemplate that COUNTY will initially use proceeds of an interim financing facility to fund the Loan, and will subsequently replace (as an accounting matter) the interim funds with proceeds of a public offering. The disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which Loan proceeds are first disbursed for the account of Borrower and continuing through the period of the interim financing at a rate per annum equal to the London InterBank Offered Rate (LIBOR-3 month) in effect on the date of this Note plus twenty (20) basis points (or such higher rate as may be imposed by HUD pursuant to the Variable/Fixed Rate Note # B-04-UC-06-0505 to be executed by COUNTY in favor of HUD ("HUD Note") in connection with the HUD Loan). From and after the date ("Conversion Date") of funding of the public bond offering, the interest rate applicable to the Loan shall be equal to the interest rate on the bonds, as provided in the HUD Note. The interest rate charged to Borrower hereunder shall be the COUNTY's actual interest rate under the HUD Note and shall not be augmented or surcharged by COUNTY. The foregoing rates of interest in effect from time to time are hereinafter sometimes referred to

as the "Base Rate". Interest shall be computed on the basis of actual number of days elapsed and a 360-day year. Notwithstanding the foregoing, any amounts not paid when due under this Note or the Loan Agreement shall bear interest from the date due to the date paid at the rate of ten percent (10%) per annum ("Default Rate").

1.2 Payment Dates and Amounts. Subject to approval by HUD in accordance with the HUD Commitment Letter (as defined in the Loan Agreement), the schedule for repaying the Loan shall be as set forth in this Section 1.2. Absent any default or acceleration, Borrower shall initially make quarterly payments to COUNTY of interest only, payable at least eleven working days in advance of the first day of each calendar quarter. From and after the Conversion Date, Borrower shall make semi-annual interest payments for the first two (2) years during the permanent financing period and then semi-annual payments of principal and interest in an amount necessary to amortize the Loan in 20 years as reasonably calculated by the COUNTY. The timing of the semi-annual payments shall be at least eleven (11) working days in advance of each August 1 and February 1 or as reasonably determined by the COUNTY based on coordination with the timing of debt service payments by COUNTY under the HUD Note. Notwithstanding any other provision of this Note or of the Loan Agreement, unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under the Note shall be due and payable in full on the 20th anniversary of the date of the Close of Escrow for the Loan ("Maturity Date"). Any of the foregoing or other payment terms of this Note are subject to modification by the COUNTY as necessary to meet payment terms under the COUNTY loan from HUD ("HUD Loan") that is the COUNTY's source of funds for the Loan.

1.3 Payments Due on Sale or Default. Borrower shall repay the Loan in full, with interest and other amounts payable under this Note or the HUD Loan, upon the occurrence of a sale, transfer, or assignment of the Security Parcels or the Development Site to which COUNTY has not given written consent (unless the COUNTY's written consent is not required).

2. Acceleration.

Notwithstanding the payment terms set forth in Section 1 above, upon the occurrence of any "Event of Default" as set forth in Section 9 below, the entire outstanding principal balance of the Note, together with any outstanding interest and other amounts payable hereunder or under the HUD Loan, shall, at the election of COUNTY and upon notice to Borrower thereof, become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower.

3. Prepayment; Application of Payments.

At any time after the disbursement of the Loan proceeds, and subject to any HUD requirements applicable to prepayment or defeasance of the HUD Loan, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums outstanding without penalty; provided, however, that Borrower shall also pay any prepayment premium imposed by HUD or other defeasance cost incurred in connection with prepayment or defeasance of the HUD Loan. All payments, including any prepayments or funds received upon acceleration pursuant to Section 2 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under this Note or the Loan Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the Base Rate, if any, and then finally toward the remaining principal balance under the Note.

4. Security and Source of Payment.

Borrower's obligations under this Note and the Loan Agreement shall, at all times during which any amount remains outstanding, be secured by the deed of trust ("Deed of Trust") of even date herewith, and of which COUNTY is the beneficiary, recorded against the Security Parcels and assigned to COUNTY by Borrower pursuant to an Assignment of Deed of Trust and Other Loan Documents ("Assignment") executed of even date herewith. The security interest in the Property granted to COUNTY pursuant to the Deed of Trust shall be an unsubordinated first priority lien on the Security Parcels.

Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this Note or the Loan Agreement, the Loan is a limited recourse obligation of Borrower, and in the event of the occurrence of an Event of Default, COUNTY's only recourse shall be against the collateral provided for the Loan, including: the Security Parcels, the proceeds thereof, the rents and other income arising from its use and occupancy following an Event of Default as provided in the Deed of Trust; the One Million Dollar (\$1,000,000) **Letter of Credit (or Certificate of Deposit)** in the amount equal to ten (10) percent of the initial loan amount, and the Commercial Guaranty Agreements provided by the developer, pledged to the COUNTY pursuant to the Pledge and Security Agreement and held by held by U.S. Bank as an escrow agent pursuant to the Escrow Agreement.

Notwithstanding the foregoing, COUNTY shall have recourse against any assets of Borrower with respect to Borrower's obligation under this Note and the Loan Agreement to pay any prepayment premium imposed by HUD or other defeasance cost incurred in connection with prepayment, acceleration or defeasance of the HUD Loan, regardless of whether the prepayment, acceleration or defeasance is triggered involuntarily by default or voluntarily. The preceding sentence is not intended to make the Loan full recourse as to the basic principal and interest thereof, but only as to the premiums, penalties and costs attributable to prepayment or defeasance of the HUD Loan and the bonds or other securities which are the source of funds for the HUD Loan.

COUNTY shall surrender and execute a release the Letter of Credit if all of the following conditions are satisfied: (i) Cash and/or cash equivalents in the total amount of One Million Dollars (\$1,000,000) is assigned and transferred to the COUNTY and; (ii) Cash and/or cash equivalents is in deposited in an escrow account held by the COUNTY's escrow agent pursuant to the Escrow Agreement until the loan is paid in full.

5. Obligation of Borrower Unconditional.

The obligation of Borrower to repay the Loan and all accrued interest thereon shall be absolute and unconditional, and until such time as all of the outstanding principal of and interest on this Note shall have been fully paid, Borrower agrees that it: (a) will use the funds solely for the purposes set forth herein; and (b) will not terminate or suspend any payment or obligations under this Note, the Loan Agreement, or any other document executed hereunder or in connection herewith for any cause, including without limitation, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, or any duty, liability or obligation arising out of or in connection with this Note, the Loan Agreement or any document executed hereunder or in connection herewith.

6. Purpose of Loan.

Proceeds of the Loan shall be used only for the purposes specified in Section 8 of the Loan Agreement, including but not limited to use in acquiring the Development Site.

7. Covenants of Borrower.

As additional consideration for the making of the Loan by COUNTY, Borrower covenants as follows:

7.1 Compliance with Loan Agreement and other Loan Documents. Borrower shall comply with all of its obligations under the Loan Agreement, the Note, the Pledge and

Security Agreement, the other Loan Documents executed by the Borrower, and the provisions of the HUD Loan. Any amounts payable by Borrower under the Loan Agreement and the Note (other than amounts also payable hereunder) shall be deemed added to the principal amount of the Loan payable hereunder.

7.2 Other Loans. Borrower shall comply (or cause Developer to comply, as applicable) with all monetary and non-monetary covenants associated with any loan secured by an interest in the Security Parcels, the Development Site and/or the Project. Borrower shall provide to COUNTY a copy of any notice of default within three business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting COUNTY, to the extent COUNTY in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by COUNTY in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the Loan. With respect to the Development Site and the Project only, the requirements of this Section 7.2 shall apply only until the later of (i) Developer's fulfillment of the job creation requirements in Section (1) of the CC&Rs; or (ii) three years following the date of this Note.

8. Assignment of this Note.

This Note shall be assignable by Borrower only if Borrower obtains the prior express written consent of COUNTY, which consent may be withheld by COUNTY in its sole discretion. Notwithstanding anything which may be or appear to be herein to the contrary, no purported assignment of this Note and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Governmental Restrictions. COUNTY's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by COUNTY including, without limitation, any and all documents deemed necessary by COUNTY to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) COUNTY's approval of the financial and credit worthiness of such proposed assignee. Notwithstanding the foregoing, the COUNTY does consent to certain transfers as described in the second paragraph of Section 14 of the Loan Agreement.

9. Events of Default and Remedies.

A. Borrower Events of Default. The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("Event of Default"):

(1) The failure of Borrower or Developer to pay or perform any monetary covenant or obligation hereunder or under the terms of the Loan Agreement or any of the

Loan Documents, without curing such failure within ten (10) days after receipt of written notice of such default from COUNTY (or from any party authorized by COUNTY to deliver such notice as identified by COUNTY in writing to Borrower). Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to a failure by Borrower to timely repay the Loan at the Maturity Date of the Note;

(2) The failure of Borrower or Developer to perform any non-monetary covenant or obligation hereunder or under the terms of this Note or any of the Loan Documents, without curing such failure within thirty (30) days after receipt of written notice of such default from COUNTY (or from any party authorized by COUNTY to deliver such notice as identified by COUNTY in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in subparts (3) through (9) below;

(3) The falsity of any material representation or breach of any material warranty made by Borrower or Developer under, as applicable, the terms of this Note, the Loan Agreement or the Deed of Trust;

(4) Borrower or Developer or any constituent member or partner (excluding members or partners having less than a 33% interest in the aggregate), or majority shareholder, of Borrower or Developer shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(5) If a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower, Developer or any constituent member or partner (excluding members or partners having less than a 33% interest in the aggregate), or majority shareholder, of Borrower or Developer, for an order

for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or Developer or of all or any substantial part of Borrower's or Developer's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower or Developer, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the construction of the Project, voluntary or involuntary cessation of the operation of the Project for a continuous period of more than three hundred sixty (360) days;

(7) COUNTY shall at any time or times during the term of the Loan reasonably determine that the outstanding balance of the Loan (excluding interest) exceeds eighty-five percent (85%) of the fair market value of the Security Parcels;

(8) Borrower shall suffer or attempt to effect a Transfer, in violation of Section 14 or Section 30 of the Loan Agreement;

(9) Borrower or Developer shall be in default under the terms of Other Financing or any other secured or unsecured obligation relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default. This paragraph 9.A. (9) shall apply only until the later of (i) Developer's fulfillment of the job creation requirements in Section (1) of the CC&Rs; or (ii) three years following the date of this Note.

B. COUNTY Remedies. Upon the occurrence of an Event of Default hereunder, COUNTY may, in its sole discretion, take any one or more of the following actions:

(1) By notice to Borrower, except in the case of an Event of Default under Section 9(A)(3) or Section 9(A)(4) in which event no notice shall be required, declare the entire then unpaid balance of the Loan and any accrued interest and other amounts immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are expressly waived. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(2) Take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of COUNTY, to

collect the amounts then due and thereafter to become due hereunder, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower or Developer, as applicable, under this Note or under any other document executed in connection herewith;

(3) Upon the occurrence of an Event of Default which is occasioned by Borrower's or Developer's failure to pay money, whether under this Note or any other provisions of the Loan Documents, COUNTY may, but shall not be obligated to, make such payment. If such payment is made by COUNTY, Borrower shall deposit with COUNTY, upon written demand therefor, such sum plus interest at the Default Rate. In either case, the Event of Default with respect to which any such payment has been made by COUNTY shall not be deemed cured until such repayment (as the case may be) has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under this Note;

(4) Upon the occurrence of an Event of Default described in Section 9(A)(4) or 9(A)(5) hereof, COUNTY shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of COUNTY and its counsel to protect the interests of COUNTY and to collect and receive any monies or other property in satisfaction of its claim.

C. No Remedy Exclusive. No remedy herein conferred upon or reserved to COUNTY is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Note or now existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as COUNTY may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by COUNTY. In order to entitle COUNTY to exercise any right or remedy reserved to it under this Note, no notice shall be required except as expressly provided herein.

D. COUNTY Default and Borrower Remedies. Upon default or failure of COUNTY to meet any of its obligations under this Note without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

(1) Demand and obtain payment from COUNTY of any sums due to or for the benefit of Borrower pursuant to the express terms of this Note;

(2) Bring an action in equitable relief seeking the specific performance by COUNTY of the terms and conditions of this Note or seeking to enjoin any act by COUNTY which is prohibited hereunder;

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Note;

Notwithstanding the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from COUNTY arising out of or in connection with this Note, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

E. Developer Cure Rights. Developer shall have the right to cure any default hereunder to the same extent, if any, and within the same cure period, if any, as provided to Borrower hereunder.

10. [Intentionally Left Blank]

11. Conflict of Interest; No Individual Liability.

No official or employee of COUNTY shall have any personal interest, direct or indirect, in this Note, nor shall any official or employee of COUNTY participate in any decision relating to this Note which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of COUNTY shall be personally liable in the event of a breach of this Note by COUNTY.

12. Amendments, Changes and Modifications.

This Note may not be amended, changed, modified, or altered without the prior written consent of the parties hereto.

13. Notices.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Note shall be in writing and shall be given by personal delivery, certified mail, return receipt requested, or overnight guaranteed delivery service and addressed as follows:

If to COUNTY: Community Development Commission of the
County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director

With a copy to: Community Development Commission of the
County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Community Development Block Grant Division

If to Borrower: The City of Commerce
2535 Commerce Way
Commerce, CA 90040
Attn: City Manager

With copies to: The City of Commerce
2535 Commerce Way
Commerce, CA 90040
Attention: City Attorney

Dedeaux Properties, LLC
4000 Noakes Street
Commerce, CA 90023-3226
Attn: Raoul Dedeaux

DLA, Piper, Rudnick, Gray, Cary, USLLP
550 South Hope Street, Suite 2300
Los Angeles, CA 90071
Attention _____, Esq.

Notices shall be effective upon receipt, if given by personal delivery, the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail, and one (1) business day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Note.

14. Severability.

The invalidity or unenforceability of any one or more provisions of this Note will in no way affect any other provision.

15. Interpretation.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Note are for convenience only and do not define or limit any terms or provisions. Borrower shall be responsible for causing Developer to comply with any covenants which are stated herein to be obligations of Developer. Time is of the essence in the performance of this Agreement by Borrower. Time is of the essence in the performance of this Note by Borrower. Each Party has been represented by counsel in the negotiation of this Note, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Note, nothing herein or in this Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of this Note shall be interpreted to require in each instance the lesser of (i) the amount stated in this Note; and (ii) the maximum applicable legal limit. Defined terms not otherwise defined herein shall have the meaning assigned to them by the Loan Agreement.

16. No Waiver; Consents.

Any waiver by COUNTY must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by COUNTY to take action on account of any default of Borrower. Consent by COUNTY to any act or omission by Borrower will not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for COUNTY's consent to be obtained in any future or other instance.

17. Miscellaneous.

A. Governing Law.

This Note shall be governed by the laws of the State of California and applicable federal law and County ordinances, including but not limited to those stated hereinbelow and those stated in the Loan Agreement to which this Note is attached.

B. Termination for Improper Consideration

COUNTY may, by written notice to Borrower, immediately terminate the right of Borrower to proceed under this Note if it is found that consideration, in any form, was offered or given by Borrower or Developer, either directly or through an intermediary, to any COUNTY officer, employee or agent with the intent of securing the Loan Agreement or securing favorable treatment with respect to the award, amendment or extension of the Loan Agreement or securing favorable treatment with respect to the award, amendment or extension of the Loan Agreement or the making of any determinations with respect to the Borrower's or Developer's performance pursuant to the Loan Agreement. In the event of such termination, COUNTY shall be entitled to pursue the same remedies against the Borrower as it could pursue upon an Event of Default by the Borrower.

The Borrower shall immediately report any attempt by a COUNTY officer or employee to solicit such improper consideration. The report shall be made either to the Commission's Executive Director or to the County Auditor-Controller's Employee Fraud Hotline at (800) 544-6861.

Among other items, such improper consideration may take the form of cash, discounts, service provision of travel or entertainment, or tangible gifts.

C. Commission's Quality Assurance Plan

COUNTY or its agent will evaluate Borrower's performance under this Note on not less than an annual basis. Such evaluation will include assessing Borrower's compliance with all contract terms and performance standards. Borrower deficiencies which COUNTY determines are severe or continuing and that may place performance of this Note in jeopardy if not corrected will be reported to COUNTY's Board of Commissioners. The report will include improvement/corrective action measures to be taken by Borrower. If improvement does not occur consistent with the corrective action measures within the cure period set forth in Section 9.A. above, COUNTY may terminate the Loan Agreement or pursue other remedies as specified in the Loan Agreement or this Note.

D. Compliance with Laws

Borrower agrees to be bound by applicable federal, state, and local laws, regulations and directives as they pertain to the performance of the Note. To the extent applicable, this Note is subject to and incorporates the terms of the Housing and Community Development Act of 1974, as amended by the Cranston-Gonzales National Affordable Housing Act, 1990 and the Code of Federal Regulations (CFR) Part 85, and Section 3 of the Housing and Community Development Act of 1968, As Amended, 12 U.S.C. 1701 Et Seq.

Borrower shall require Developer to comply with any applicable portions of Section 3 of the Housing and Community Development Act of 1968, as amended 12 U.S.C. 1701 Et Seq. which requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the Project area and contracts for work in connection with the Project be awarded to business concerns which are located in or owned in substantial part by persons residing in the area of the Project.

E. Borrower's Warranty Adherence to Child Support Compliance Program

Borrower acknowledges that COUNTY has established a goal of ensuring that all individuals who benefit financially from COUNTY through contract are in compliance with their court-ordered child, family and spousal obligations in order to mitigate the economic burden otherwise imposed upon COUNTY and the taxpayers of Los Angeles County ("County").

As required by County's Child Support Program (County Code Chapter 2.200) and without limiting Borrower's duty under this Agreement to comply with all applicable provisions of law, Borrower warrants that it is now in compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653 a) and California Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or District Attorney Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code of Civil Procedure Section 706.031 and Family Code Section 5246(b).

F. Termination For Breach Of Warranty To Comply With County's Child Support Compliance Program

Failure of Borrower to maintain compliance with the requirements set forth in Section 26.0 F, "BORROWER'S WARRANTY OF ADHERENCE TO COUNTY CHILD SUPPORT COMPLIANCE PROGRAM" shall constitute default under this contract.

Without limiting the rights and remedies available to County under any other provision of this contract, failure of Borrower to cure such default within 90 calendar days of written notice shall be grounds upon which County may terminate this contract pursuant to Paragraph 14 - "TERMINATION FOR CAUSE" and pursue debarment of Contractor, pursuant to County Policy.

G. Post Most Wanted Delinquent Parents List

The Borrower acknowledges that the County places a high priority on the enforcement of child support laws and the apprehension of child support evaders. The Borrower understands that it is County's policy to strongly encourage all Borrowers to voluntarily post an entitled "L.A.'s Most Wanted: Delinquent Parents" poster in a prominent position at Borrower's place of business. The Child Support Services Department (CSSD) will supply Borrower with the poster to be used.

H. Consideration of GAIN Program Participants For Employment

Should Borrower require additional or replacement personnel after the effective date of this Note, Borrower shall give consideration for any such employment openings to participants in the County's Department of Public Social Services' Greater Avenues for Independence (GAIN) Program who meet Borrower's minimum qualifications for the open position. The County will refer GAIN participants by job category to the Borrower.

18. Representations and Warranties of Borrower.

Borrower hereby warrants and represents to COUNTY that:

A. Organization and Standing. Borrower is a California legal entity as described in the Transaction Summary set forth in the Loan Agreement, duly organized, qualified to operate in California and validly existing and in good standing under all applicable laws, and has all requisite power and authority to enter into and perform its obligations under this Note, this Note, the Deed of Trust, the CC&Rs, and all other documents executed in connection herewith.

B. Enforceability. This Note and all other instruments to be executed by Borrower and Developer in connection with the Loan constitute the legal, valid and binding obligation of Borrower and Developer, without joinder of any other party.

C. Authorization and Consents. The execution, delivery and performance of this Note and all other instruments to be executed in connection herewith is consistent with the

operating agreement, partnership agreement, articles and bylaws, charter, code and ordinances, as applicable, governing Borrower and have been duly authorized by all necessary action of Borrower's council members, commissioners, partners, directors, officers, members and shareholders.

D. Due and Valid Execution. This Note and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower and Developer.

E. Licenses. Borrower and Developer will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance. To Borrower's current actual knowledge, there are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower or Developer (other than those as have been previously disclosed in writing to COUNTY) which could materially impair its ability to perform its obligations under this Note, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its obligations under this Note.

G. Default. To Borrower's current actual knowledge, there are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 9.

H. No Violations. The execution and delivery of this Note, the Loan Agreement and all other documents executed or given thereunder, and the performances hereunder and thereunder by Borrower and Developer, as applicable, will not constitute a breach of or default under any instrument or agreement to which Borrower or Developer may be a party nor, to Borrower's current actual knowledge, will the same constitute a breach of or violate any law or governmental regulation.

19. Approvals.

Any review or approval of any matter by COUNTY or any COUNTY official or employee under this Note shall be solely for the benefit of COUNTY, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and Developer and not COUNTY shall be solely responsible for assuring compliance with laws, the suitability of

the Development Site for the Project, the adequacy of the Plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

20. Good Faith and Fair Dealing.

COUNTY and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

21. Waiver.

Borrower agrees that it will still be liable for repayment of this Note even if the holder hereof does not follow the procedures of presentment, protest, demand, diligence, notice of dishonor and of nonpayment, which requirements are hereby waived. Failure of COUNTY or other holder hereof to exercise any right or remedy hereunder shall not constitute a waiver of any future or other default. No acceptance of a past due installment or indulgence granted from time to time shall be construed to be a waiver of, or to preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of any other rights which COUNTY may have.

IN WITNESS WHEREOF, Borrower has executed this Note as of the date and year first above written.

BORROWER:

CITY OF COMMERCE, a California municipal corporation

By: _____
Mayor

APPROVED AS TO FORM:

By: _____
City Attorney

OFFICIAL BUSINESS

Document entitled to free
recording per Govt. Code
Section 6103.

Recording Requested by and
When Recorded Mail To:

COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES
2 Coral Circle
Monterey Park, CA 91755-7425
Attn.: Director of Community Development
Block Grant Division

Above Space For Recorder's
Use Only

DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("**Deed of Trust**") is made as of, by and between Dedeaux Properties, LLC, a California limited liability company ("**Trustor**") whose address is 1430 South Eastman Avenue Commerce, CA 90023-3226, Attn: Mr. Raoul Dedeaux, President, Dedeaux Properties, LLC, ("**Trustee**") and the CITY OF COMMERCE, a California municipal corporation ("**Beneficiary**").

R E C I T A L S

A. Beneficiary is making a loan to Trustor in the original principal amount of TEN MILLION DOLLARS (\$10,000,000.00) (the "**Loan**") pursuant to that certain Loan Agreement (the "**Loan Agreement**") entered into by Trustor and Beneficiary and dated as of _____, 2005. The Loan is evidenced by a promissory note of even date herewith executed by Trustor (the "**Note**") in the principal amount of the Loan.

B. The Loan Agreement is designed to facilitate the further development of the industrial business park located in Commerce, California and known as the Commerce Industrial Center DART Development Project (the "**Center**").

C. Trustor intends to use the Loan proceeds for the purpose of providing financing for site acquisition and other costs in connection with developing the Center (the "**Project**"), as further described in the Loan Agreement. The Project will be developed on a site described in the Loan Agreement ("**Development Site**"). The Loan is secured through this Deed of Trust, which shall be recorded against other real property owned by Trustor in the City of Commerce and legally described on Attachment "1" to this Deed of Trust (the "**Property**").

NOW THEREFORE, in consideration of the Loan, Trustor hereby irrevocably grants, conveys, transfers and assigns to Trustee, its successors and assigns, in trust, with power of sale and right of entry and possession as

provided below, all of its present and future estate, right, title and interest in and to the Property, together with all, right, title and interest of Trustor therein and in and to, and grants to Beneficiary a security interest in, the following:

1. All development rights, air rights, water, water rights, and water stock relating to the Property.
2. All present and future structures, buildings, improvements, appurtenances and fixtures of any kind on the Property, including but not limited to all apparatus, attached equipment and appliances used in connection with the operation or occupancy of the Property, such as heating and air-conditioning systems and facilities used to provide any utility services, ventilation, vehicular cleaning, storage or other services on the Property, and all signage, carpeting and floor coverings, partitions, generators, screens, awnings, boilers, furnaces, pipes, plumbing, vacuum systems, brushes, blowers, cleaning, call and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, and gas and electric machinery and equipment, it being intended and agreed that all such items will be conclusively considered to be a part of the Property conveyed by this Deed of Trust, whether or not attached or affixed to the Property.
3. All appurtenances of the Property and all rights of Trustor in and to any streets, roads or public places, easements or rights of way, relating to the Property.
4. All of the rents, royalties, profits and income related to the Property, to the extent not prohibited by any applicable law.
5. All proceeds and claims arising on account of any damage to or taking of the Property and all causes of action and recoveries for any loss or diminution in value of the Property.
6. All existing and future goods, inventory, equipment and all other personal property of any nature whatsoever now or hereafter located on the Property which are now or in the future owned by Trustor and used in the operation or occupancy of the Property or in any construction on the Property but which are not effectively made real property under Clause 2 above, including but not limited to all appliances, furniture and furnishings, building service equipment, and building materials, supplies, equipment, machinery, plumbing and plumbing material and supplies, concrete, lumber, hardware, electrical wiring and electrical material and supplies, roofing material and supplies, doors, paint, drywall, insulation, cabinets, ceramic material and supplies, flooring, attached appliances, fencing, landscaping and all other materials, supplies and property of every kind and nature.
7. All present and future accounts, general intangibles, chattel paper, contract rights, deposit accounts, instruments and documents as those terms are defined in the California Uniform Commercial Code, now or hereafter relating or arising with respect to the Property and/or the use thereof or any improvements thereto, including without limitation: (i) all rights to the payment of money, including escrow proceeds arising out of the sale or other disposition of all or any portion of the estate of Trustor upon the Property now or hereafter existing thereon; (ii) all plans, specifications and drawings relating to the development of the Property and/or any construction thereon; (iii) all use permits, licenses, occupancy permits, construction and building permits, and all other permits and approvals required by any governmental or quasi-governmental authority in connection with the development, construction, use, occupancy or operation of the Property; (iv) any and all agreements relating to the development, construction, use, occupancy and/or operation of the Property between Trustor and any contractor, subcontractor, project manager or supervisor, architect, engineer, laborer or supplier of materials; (v) all

lease or rental agreements; (vi) all trademarks relating to the Property and/or the development, construction, use, occupancy or operation thereof; (vii) all goodwill relating to the Property and/or the development, construction, use, occupancy or operation thereof; (viii) all reserves, deferred payments, deposits, refunds, cost savings, bonds, insurance policies and payments of any kind relating to the Property; (ix) all loan commitments issued to Trustor in connection with any sale or financing of the Property; (x) all funds deposited with Beneficiary by Trustor, and all accounts of Trustor with Beneficiary, including all accounts containing security deposits and prepaid rents paid to Trustor in connection with any leases of the Property, and all proceeds thereof; and (xi) all supplements, modifications and amendments to the foregoing.

8. All of the right, title and interest of Trustor in and to all sales contracts of any nature whatsoever now or hereafter executed covering any portion of the Property, together with all deposits or other payments made in connection therewith.

9. All of the right, title and interest of Trustor in and to any construction contracts, plans and specifications, building permits, and all other documents necessary for completion of the improvements to the construction of the Property.

10. All water stock relating to the Property, all shares of stock or other evidence of ownership of any part of the Property that is owned by Trustor in common with others, and all documents of membership in any owner's or members' association or similar group having responsibility for managing or operating any part of the Property.

Trustor does hereby covenant with Trustee and Beneficiary, that Trustor has good right to bargain, sell and convey Trustor's interest in the Property in manner and form as above written; and Trustor warrants and will defend same to Beneficiary, forever, against all lawful claims and demands whatsoever except as stated above.

THIS DEED OF TRUST IS FOR THE PURPOSE OF SECURING:

1. performance of each agreement of Trustor herein contained or incorporated herein by reference, including, without limitation, the covenants, conditions and restrictions contained in the CC&R's (as defined in the Loan Agreement and as recorded against the Development Site in favor of the Beneficiary);

2. payment of the indebtedness (including, without limitation, interest thereon) evidenced by the Note, and any extension or renewal or modification thereof;

3. performance of each agreement of Trustor contained in the Loan Agreement, or any of the "**Loan Documents**" (as defined in the Loan Agreement), and any extension, renewal or modification of such Loan Agreement and Loan Documents;

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

1. Payment of Secured Obligations. To pay when due (a) the principal of, and the interest on, the indebtedness evidenced by the Note, (b) charges, fees and all other sums as provided in the Loan Agreement, and (c) the principal of, and interest on, any future advances secured by this Deed of Trust.

2. Maintenance, Repair, Alterations. To keep the Property in good condition and repair; to complete promptly and in a good and workmanlike manner all buildings and other improvements to be constructed on the Property, including specifically all buildings and improvements required to be constructed by the terms of the Loan Agreement, and promptly restore in like manner any structure that may be damaged or destroyed thereon; to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements thereon; not to commit or permit any waste or deterioration of the Property; to keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; not to commit, suffer or permit, to the extent Trustor is able by the exercise of commercially reasonable best efforts, any act to be done in or upon the Property in violation of any law, ordinance or regulation.

3. Insurance. To provide, maintain at its expense and deliver to Beneficiary at all times until payment in full of all obligations secured hereby, insurance as required by the Loan Agreement or the Note.

In the event of any loss or damage, Trustor shall give immediate notice thereof to Beneficiary, and Beneficiary may thereupon make proof of such loss or damage, if the same is not promptly made by Trustor. Trustor and Beneficiary hereby agree to cooperate in making any adjustment and compromise of any loss covered by the aforementioned insurance policies upon the Property, and Trustor authorizes and empowers Beneficiary, at its option, to collect and receive the proceeds, and endorse checks and drafts issued therefor. Beneficiary agrees that in the event of any loss covered by insurance policies on the Property subject to this Deed of Trust, provided there is no material default in the observance or performance of any of the covenants and agreements contained herein or in the Note or any future notes secured hereby, or in any other agreement with or for the benefit of the Beneficiary in connection with any indebtedness secured hereby, the proceeds of such insurance shall be used for the repair or restoration of the Property and will be disbursed in accordance with such protective terms and conditions as Beneficiary may impose.

Any and all unexpired insurance shall inure to the benefit of and pass to the purchaser of the Property at any foreclosure sale, or any Trustee's sale held pursuant hereto.

Further, Beneficiary may at any time in its sole discretion require Trustor to submit satisfactory evidence of insurance policies obtained pursuant to this Paragraph 3, and of Trustor's compliance with all the provisions of said policies.

4. Lawsuits. To appear in and defend, or otherwise take such action therein as the Beneficiary and Trustee or either of them may deem advisable with respect to, any action or proceeding affecting the security for the Loan in which Beneficiary or Trustee may appear.

5. Beneficiary Statement. To pay all charges for all court costs and expenses which Beneficiary may elect to advance in order to keep unimpaired, protect, and preserve the title thereto; and to pay for any statement provided for by law in effect at the date hereof regarding the obligations secured hereby, any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

6. Condemnation. That all judgments, awards of damages and settlements, hereafter made as a result of or in lieu of any condemnation or other proceedings for public use of, or for any damage to, the

Property or the improvements thereon, are hereby assigned to Beneficiary. If (i) Trustor is not in material default hereunder, and (ii) the taking is a partial taking, all proceeds thereof shall be applied to restoring the Property, if practicable, as reasonably determined by Beneficiary. In the event (i) Trustor is in material default hereunder, (ii) the taking is a total taking, or (iii) the taking is a partial taking and Beneficiary has reasonably determined that restoration of the Property is not practicable, the proceeds shall be paid to Beneficiary to the extent of those monies due and owing under the Note, this Deed of Trust, future notes or future deeds of trust, and Beneficiary is hereby authorized to receive such monies. Trustor agrees to execute such further assignments of any such award, judgment or settlement which may be received by Trustor. Beneficiary may apply any and all such sums to the indebtedness secured hereby in such manner as it elects or, at its option, the entire amount so received by it or any part thereof may be released. Neither the application nor the release of any such sums shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

7. Permitted Acts of Beneficiary. That without affecting the liability of any person, including Trustor (other than any person released pursuant hereto), for the payment of any indebtedness secured hereby, Beneficiary is authorized and empowered as follows: Beneficiary may at any time, and from time to time, either before or after the maturity of the obligations secured hereby, and without notice (a) release any person liable for the payment of any of the indebtedness, (b) make any agreement extending the time or otherwise altering the terms of payment of any of the indebtedness, (c) accept additional security therefor of any kind, or (d) release any property, real or personal, securing the indebtedness.

8. Reconveyance of Property. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention, and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

9. Default and Trustee's Sale. That upon the occurrence of an "Event of Default" under this Deed of Trust (as defined in Section 18 below) Beneficiary may declare all principal remaining unpaid, all interest then earned and remaining unpaid, and all sums other than principal or interest secured hereby, immediately due and payable (and thenceforth at the option of the Beneficiary and except as otherwise prohibited by law, the entire balance of the unpaid principal shall bear interest at the rate of 10% per annum (simple interest) as set forth in the Note until paid) and may proceed to exercise the power of sale granted by this Deed of Trust by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said Property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, the Note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell the Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or

warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: first, all sums expended by the Beneficiary under the terms hereof or under the Note, not then repaid, with accrued interest at the rate of 10% per annum (simple interest); second, all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

10. Substitute Trustees. Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the Office of the Recorder of the County of Los Angeles, and by otherwise complying with the provisions of California Civil Code Section 2934a, or any successor section, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, right, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new Trustee.

11. Successors Bound. That this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, assigns, trustees and receivers. In this Deed of Trust, whenever the context so requires, masculine gender includes feminine and/or neuter, and the singular number includes the plural.

12. Evidence of Title. That if, because of any default hereunder, or because of the filing or contemplated filing of any legal proceedings affecting the Property, Beneficiary deems it necessary to obtain an additional evidence of title or to cure any defect in title, Beneficiary may procure such evidence or cure such defect, pay the cost thereof, and shall have an immediate claim against Trustor therefor, together with a lien upon the Property for the amount so paid, with interest at the rate of 10% per annum (simple interest). Beneficiary is further authorized to require an appraisal of the Property at any time that Beneficiary may reasonably request to confirm an Event of Default under Section 18(g) below; Beneficiary shall pay for the appraisal unless it shows that the outstanding balance of the Loan (excluding interest) exceeds eighty percent (80%) of the value of the Security Parcels.

13. Default in Other Instruments; Bankruptcy. That default in the terms of any other instrument securing the debt secured hereby, and/or the filing or other commencement of any bankruptcy or insolvency proceedings including any assignment for the benefit of creditors or other proceedings intended to liquidate or rehabilitate, by, for or against Trustor shall after any applicable cure period constitute default under this Deed of Trust.

14. Statute of Limitations. That the pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived by the Trustor, to the full extent permissible by law.

15. Severability. That the invalidity of any one or more covenants, phrases, clauses, sentences, paragraphs or sections of this Deed of Trust shall not affect the remaining portions of this Deed of Trust or any part hereof and this Deed of Trust shall be constructed as if such invalid covenants, phrases, sentences, paragraphs or sections, if any, had not been inserted herein.

16. Order of Application. That if the indebtedness secured hereby is now or hereafter becomes further secured by a security agreement, deed of trust, pledge, contract of guaranty or other additional securities, Beneficiary may to the full extent allowed by law, at its option, exhaust any one or more of said securities as well as the security hereunder, either concurrently or independently and in such order as it may determine, and may apply the proceeds received upon the indebtedness secured hereby without affecting the status of, or waiving any right to exhaust all or any other security including the security thereunder and without waiving any breach or default in any right or power, whether exercised hereunder or contained herein, or in any such other security.

17. Covenants of Trustor.

(a) Audit by State and Federal Agencies. Trustor agrees that in the event the Loan is subjected to audit, monitoring or other inspections by appropriate state and federal agencies, it shall be responsible for complying with such inspections and paying, on behalf of itself and Beneficiary, the full amount of the liability to the funding agency resulting from such inspections (unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of Beneficiary).

(b) Program Evaluation and Review Trustor shall allow Beneficiary's authorized personnel to inspect and monitor its facilities and program operations as they relate to the Property or the Loan Agreement, including the interview of Trustor's staff, tenants, and other program participants, as reasonably required by Beneficiary during the term of the Loan.

18. Default. The Trustor will be in default under this Deed of Trust upon any of the following events which, if not cured within the applicable cure period provided, if any, shall constitute an event of default hereunder ("Event of Default"):

(a) The failure of Trustor to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note, the Loan Agreement or any other documents executed in connection therewith, without curing such failure within ten (10) days after receipt of written notice of such default from Beneficiary (or from any party authorized by Beneficiary to deliver such notice as identified by Beneficiary in writing to Trustor). Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to a failure by Trustor to timely repay the Loan at the Maturity Date of the Note;

(b) The failure of Trustor to perform any non-monetary covenant or obligation hereunder or under the terms of the Loan Agreement, the Note or any other documents executed in connection therewith, without curing such failure within thirty (30) days after receipt of written notice of such default from Beneficiary (or from any party authorized by Beneficiary to deliver such notice as identified by Beneficiary in writing to Trustor) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Trustor commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in Sections 18(c) through 18(i) below;

(c) The material falsity of any representation or breach of any material warranty made by Trustor under the terms of this Deed of Trust, the Note, the Loan Agreement or any other document executed in connection therewith;

(d) Trustor or any constituent member or partner, or majority shareholder (excluding members or partners having less than a 33% interest in the aggregate), of Trustor shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(e) If a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Trustor or any constituent member or partner (excluding members or partners having less than a 33% interest in the aggregate), or majority shareholder, of Trustor, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Trustor or of all or any substantial part of Trustor's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Trustor, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(f) Following completion of the construction of the Project, voluntary or involuntary cessation of the operation of the Center (including, without limitation, the Project after it has been completed) for a continuous period of more than three hundred sixty (360) days;

(g) Beneficiary shall at any time or times during the term of the Loan reasonably determine that the outstanding balance of the Loan (excluding interest) exceeds eighty-five percent (85%) of the fair market value of the Security Parcels;

(h) Trustor shall suffer or attempt to effect "**Transfer**" (as defined in Section 33 below) other than in full compliance with the terms of this Deed of Trust (or otherwise in violation of Section 14 or 30 of the Loan Agreement); or

(i) Trustor shall be in default under the terms of any Other Financing (as defined in the Loan Agreement) or any other secured or unsecured obligation relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default. This Section 18(i) shall apply only until the later of (i) Borrower's fulfillment of the job creation requirements in Section (1) of the CC&Rs; or (ii) three years following the date of this Deed of Trust.

19. Acceleration. The entire principal and all accrued and unpaid interest on the Note shall be due and payable as therein set forth; provided, however, that the entire balance of the outstanding principal and all accrued and unpaid interest on the Note, together with any outstanding interest and other amounts

payable thereunder, shall, at the election of Beneficiary and upon notice to Trustor thereof, become immediately due and payable upon any Event of Default as set forth in the Note, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Trustor.

20. Breach by Trustor, Cure by Beneficiary or Trustee. In the event of Trustor's failure to comply with any or all of the promises and agreements set forth in this Deed of Trust or to make any payment or to do any act as provided in this Deed of Trust, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either in its sole judgment may deem necessary to protect the security hereof (including, without limitation, to procure insurance and pay the premiums therefor; to pay unpaid water rents, sewer service charges, and other governmental or municipal charges and rates, and all or any part of the unpaid taxes, assessments, and reassessments, if in its judgment the same are just and valid; to pay the cost of appraisals, reappraisals, and extensions of title; to enter or have its agents enter upon the Property whenever reasonably necessary for the purpose of inspecting the Property or making repairs or installations as it deems necessary to preserve the Property or to protect the same from vandalism, without thereby becoming liable as a trespasser or mortgagee or beneficiary in possession, and to pay for such repairs and installations). Beneficiary and Trustee are hereby authorized to enter upon the Property for such purposes; to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, to pay necessary expenses, employ counsel of its choice and pay the reasonable fees of such counsel. Trustor agrees to pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and that Beneficiary shall have a lien upon the Property for the sums so expended and such interest thereon.

21. Security Agreement. That all property covered by this Deed of Trust be deemed to constitute real property or interests in real property to the maximum extent permitted under applicable law. To the extent that any tangible property, equipment or other property covered by this Deed of Trust constitutes personal property, such personal property shall constitute additional security. This Deed of Trust shall create in Beneficiary a security interest in such personal property and shall in respect thereof constitute a security agreement (the "**Security Agreement**"). Beneficiary shall be entitled to all of the rights and remedies in respect of any personal property included in the Property covered by this Deed of Trust afforded a secured party under the Uniform Commercial Code and other applicable law, subject to the nonrecourse provisions of Section 27 below. At Beneficiary's request Trustor will at any time and from time to time furnish Beneficiary for filing financing statements signed by Trustor in form satisfactory to Beneficiary. Trustor acknowledges and agrees that thirty (30) days' notice as to the time, place and date of any proposed sale of any personal property shall be deemed reasonable for all purposes. Trustor agrees that the Security Agreement created hereby shall survive the termination or reconveyance of this Deed of Trust unless Beneficiary executes documentation expressly terminating the Security Agreement.

22. Assumption of Liability. Except as provided in Section 33 below, the assumption of liability for the payment of the indebtedness hereby secured, by any successor in interest to Trustor in the Property (in the event Beneficiary elects not to accelerate the repayment of the Loan pursuant to any transfer or disposition of the Property by operation of law or otherwise) shall not release Trustor from liability for the payment of such indebtedness or any sums advanced under and secured by this Deed of Trust. Any forbearance or indulgence of Beneficiary, or extensions of time for the payment of all or any part of the indebtedness secured hereby, or the release of a part of the Property from the lien of this Deed of Trust, for,

or without, payment of a consideration, shall not in any manner diminish or reduce the liability of Trustor for the payment of the indebtedness now or hereafter secured hereby; and that any payments made upon the said indebtedness shall be deemed to have been made on behalf and for the benefit of all parties obligated to pay the same. The acceptance of payments in excess of the installments provided to be paid upon the Note or the consideration paid for any such release shall not alter or diminish the obligation of Trustor to thereafter make payments in the amounts and on the dates provided therein, until the same are fully paid.

23. Future Advances. That upon the request of the Trustor or its successor in ownership of the Property, Beneficiary may, at its option, at any time before full payment of the Note secured hereby, make further advances to the Trustor or its successors in ownership, and the same, with interest and late charges as permitted by law, shall be secured by this Deed of Trust; and provided further that if Beneficiary, at its option, shall make a further advance or advances as aforesaid, the Trustor or its successors in ownership agree to execute and deliver to Beneficiary a note to evidence the same, payable on or before the maturity of the indebtedness under the Note secured hereby and bearing such other terms as Beneficiary shall require.

Trustor further acknowledges and agrees: that this Deed of Trust is intended to, and shall, secure not only the original indebtedness under the Note, but any and all future advances made by Beneficiary to Trustor; that this Deed of Trust shall secure any unpaid balances of advances made with respect to the Property or the Project; that Beneficiary shall have the benefit of all statutes now existing or henceforth enacted to assure repayment of any such future advances plus interest thereon; that to secure the payment of said original indebtedness and future advances Beneficiary shall also have a lien upon all other personal property and securities now or hereafter in its possession belonging to Trustor and relating to the Property; that all rights, powers and remedies conferred upon Beneficiary herein are in addition to each and every other right which Beneficiary has hereunder; that all rights, powers and remedies conferred upon Beneficiary in equity or by law may be enforced concurrently therewith, subject to the nonrecourse provisions of Section 27 below; that Beneficiary shall be subrogated to the rights and seniority of any prior lien paid or released by reason of the application thereon of any of the proceeds hereof, and that each and all of the covenants, agreements, and provisions hereof shall bind the respective heirs, executors, administrators, successors, and assigns of Trustor and Beneficiary herein, and all others who subsequently acquire any right, title, or interest in the Property, or to this Deed of Trust and the indebtedness secured hereby.

24. Captions. That the captions of the sections of this Deed of Trust are for convenience only and shall not be considered in resolving questions of interpretation or construction.

25. Estoppel Certificates. That Trustor will from time to time at Beneficiary's request furnish Beneficiary or any person designated by Beneficiary a certified statement in form satisfactory to Beneficiary showing as of the date of the certificate the unpaid principal balance and accrued interest on the Note and stating that Trustor is not in default hereunder (or describing any default), and stating that Trustor has no defense, right of set off or counterclaim in the payment of the indebtedness, or any part thereof, or the observance or performance of any obligation (or describing any such defense, set off or counterclaim). Any purchaser or assignee of the Note or this Deed of Trust or any interest therein may rely on such certificate.

26. Books and Records. That Trustor and all subsequent owners of the Property, if any, shall keep and maintain full and correct books and records showing in detail the earnings and expenses of the Property and shall permit Beneficiary or its representatives to examine such books and records and all sup-

porting data and vouchers, from time to time at reasonable times, on request, at Trustor's offices or at another mutually agreed upon location.

27. Obligation Non-Recourse. Notwithstanding anything to the contrary contained in this Deed of Trust, except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with the Loan, the Loan is a nonrecourse obligation of Trustor and in the event of the occurrence of an Event of Default, Beneficiary's only recourse under this Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy following an Event of Default as provided in the Deed of Trust, and any other collateral given to Beneficiary as security for repayment of the Loan, such that neither Trustor nor any partner, member or manager of Trustor shall have personal liability for repayment of the Loan.

28. Fixture Filing. This Deed of Trust is also a fixture filing with respect to the personal property which is or is to become fixtures on the Property, and is to be recorded in the real property records of Los Angeles County, California.

29. Assignment of Rents. All of the existing and future rents, royalties, income, and profits of the Property that arise from its use or occupancy are hereby absolutely and presently assigned to Beneficiary. However, until Trustor is in default under this Deed of Trust, Trustor will have a license to collect and receive those rents, royalties, income and profits. Upon any Event of Default by Trustor, Beneficiary may terminate Trustor's license in its discretion, at any time, without notice to Trustor, and may thereafter collect the rents, royalties, income and profits itself or by an agent or receiver. No action taken by Beneficiary to collect any rents, royalties, income or profits will make Beneficiary a "mortgagee-in-possession" of the Property, unless Beneficiary personally or by agent enters into actual possession of the Property. Possession by a court-appointed receiver will not be considered possession by Beneficiary. All rents, royalties, income and profits collected by Beneficiary or a receiver will be applied first to pay all expenses of collection, and then to the payment of all costs of operation and management of the Property, and then to the payment of the indebtedness and obligations secured by the Deed of Trust in whatever order Beneficiary directs in its absolute discretion and without regard to the adequacy of its security. If required by Beneficiary, each lease or occupancy agreement affecting any of the Property must provide, in a manner approved by Beneficiary, that the tenant will recognize as its lessor any person succeeding to the interest of Trustor upon any foreclosure of this Deed of Trust. The expenses (including receivers' fees, if any, compensation to any agent appointed by Beneficiary, counsel fees, costs and compensation to any agent appointed by Beneficiary, and disbursements) incurred in taking possession and making such collection, shall be deemed a portion of the expense of this trust. The entering upon and taking possession of the Property, and/or the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. Beneficiary may exercise any one or more of the remedies in this section without waiving its right to exercise any such remedies again or for the first time in the future. The foregoing shall be subject to the provisions of applicable law. Beneficiary agrees to enter into reasonable and customary subordination, non-disturbance and attornment agreements with tenants on the Property if requested by Trustor, provided that Trustor shall pay any expenses of Beneficiary incurred in connection with such agreements.

30. Applicable Law. This Deed of Trust shall be governed by, and construed in accordance with, the laws of the State of California and applicable federal law.

31. Approvals. Except with respect to those matters set forth hereinabove providing for the Beneficiary's approval, consent or determination to be at the Beneficiary's "sole discretion" or "sole and absolute discretion," the Beneficiary hereby agrees to act reasonably with regard to any approval, consent, or other determination given by the Beneficiary hereunder. The Beneficiary agrees to give Trustor written notice of its approval or disapproval following submission of items to the Beneficiary for approval, including, in the case of any disapproved item, the reasons for such disapproval.

32. Good Faith and Fair Dealing. The Beneficiary and Trustor agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

33. Assignment of Interest.

a. Without the prior written approval of the Beneficiary, which approval the Beneficiary may withhold in its sole and absolute discretion, Trustor shall not (i) sell, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Property, but excluding tenant leases pursuant to the terms of the Loan Agreement), (ii) permit the Transfer of greater than 49% of its ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis, or (iii) Transfer any of its rights or obligations under the Loan Documents. Notwithstanding the foregoing, Beneficiary consents to the events described in Section 14.0 of the Loan Agreement without Trustor obtaining any further consent of Beneficiary. Trustor hereby agrees that any purported Transfer not approved by the Beneficiary as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Trustor under such a proscribed Transfer shall acquire any rights pursuant to the Loan Agreement or this Deed of Trust.

b. At any time Trustor desires to effect a Transfer hereunder, Trustor shall notify the Beneficiary in writing (the "Transfer Notice") and shall submit to the Beneficiary for its prior written approval (i) all proposed agreements and documents (collectively, the "Transfer Documents") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by Trustor and the proposed transferee to the Beneficiary sufficient to establish and insure that all requirements of this Section 33 have been and will be met. No Transfer Documents shall be approved by the Beneficiary unless they expressly provide for the assumption by the proposed transferee of all of Trustor's obligations under the Loan Documents. The Transfer Notice shall include a request that the Beneficiary consent to the proposed Transfer and shall also include a request that Trustor be released from further obligations under the Loan Documents. The Beneficiary agrees to make its decision on Trustor's request for consent to such Transfer, as promptly as possible, and, in any event, not later than thirty (30) days after the Beneficiary receives the last of the items required by this Section 33. In the event the Beneficiary consents to a proposed Transfer, then such Transfer shall not be effective unless and until the Beneficiary receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Trustor to the Beneficiary. Upon the effectiveness of any such Transfer, if the Beneficiary's written consent expressly so provides, Trustor shall be released from obligations arising thereafter under the Loan Documents.

c. Notwithstanding anything in this Deed of Trust which may be or appear to be to the contrary, Trustor agrees that it shall not be permitted to make any Transfer, whether or not the Beneficiary consent is required therefor and even if the Beneficiary has consented thereto, if there

exists an Event of Default under this Deed of Trust at the time the Transfer Notice is tendered to the Beneficiary or at any time thereafter until such Transfer is to be effective.

d. The provisions of this Section 33 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Trustor under the terms set forth herein.

34. Partial Release of Real Property Security. Beneficiary shall consent to release a portion of the Property from the lien of this Deed of Trust if all of the following conditions are satisfied: (i) Trustor requests the partial release in writing; (ii) the outstanding amount of the Loan (exclusive of interest not yet accrued) is less than Ten Million Dollars (\$10,000,000); (iii) Trustor pays for and Beneficiary obtains an appraisal, from an MAI appraiser selected by Beneficiary, demonstrating that the outstanding amount of the Loan does not exceed Sixty Percent (60%) of the fair market value of the remaining Property without the parcel(s) proposed to be released; (iv) the portion of the Property to be released consists of one or more legally subdivided parcels separate from the parcel(s) that will remain subject to the Deed of Trust; and (v) Trustor pays for and Beneficiary obtains a title policy endorsement insuring that the partial release will not impair or reduce in priority the lien of the Deed of Trust on the remaining parcel(s).

IN WITNESS WHEREOF, the undersigned have executed this Deed of Trust as of the date first above written.

TRUSTOR:

DEDEAUX PROPERTIES, LLC, a California limited liability company

By: _____
Raoul Dedeaux, President

By: _____
William J. Smollen, Treasurer

BENEFICIARY:

CITY OF COMMERCE,
a California municipal corporation

By: _____
Thomas Sykes, City Administrator

APPROVED AS TO FORM:

Eduardo Oliva, City Attorney

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On _____ before me, _____, Notary Public, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On _____ before me, _____, Notary Public, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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WITNESS my hand and official seal.

Signature

ATTACHMENT 1

LEGAL DESCRIPTION OF PROPERTY

OFFICIAL BUSINESS

Document entitled to free Recording
per Govt. Code Section 6103.

RECORDING REQUESTED BY AND
AFTER RECORDATION, MAIL TO:

COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES
2 Coral Circle
Monterey Park, CA 91755-7425
Attn.: Director of Community Development
Block Grant Division

(Space Above Line for Recorder's use)

COVENANTS, CONDITIONS, AND RESTRICTIONS

THIS AGREEMENT CONTAINING COVENANTS, CONDITIONS, AND RESTRICTIONS (“**Agreement**”) is executed as of the ____ day of _____, 2005 by and between the CITY OF COMMERCE, a California municipal corporation (“**City**”), and DEDEAUX PROPERTIES, LLC, a California limited liability company (“**Owner**”), with reference to the following:

A. City and Owner are parties to a Loan Agreement (“**Loan Agreement**”) dated as of the 1st day of April, 2005, on the terms and conditions of which Owner shall borrow from City, and City shall lend to Owner, the original principal amount of TEN MILLION DOLLARS (\$ 10,000,000) (the “**Loan**”) for the purpose of providing financing for site acquisition and other uses specified in Section 8 of the Loan Agreement in connection with developing an industrial business park located in Commerce, California and known as the Commerce Industrial Center DART Development Project (referred to as the “**Project**”). The Project will be developed on a site legally described on Exhibit “A” to this Agreement (the “**Development Site**”).

B. Unless otherwise expressly provided, all defined terms used in this Agreement shall have the defined meanings provided for in the Loan Agreement.

NOW THEREFORE, in consideration of the representations, covenants, and obligations of Owner contained in this Agreement, Owner, on behalf of itself and its successors and assigns, hereby covenants and agrees as follows:

(1) Job Creation.

a. Owner will develop the Project in accordance with the terms and conditions of the Loan Agreement during the term thereof. Owner covenants and agrees that it shall make a good faith effort, and shall request all of the owners and/or occupiers of the Project (“**Tenants**”) to make good faith efforts, to offer permanent full-time equivalent jobs on a first priority basis to individuals residing within a five (5) mile radius of the Project. A map depicting this 5-mile radius is attached hereto as Exhibit “B.”

b. Owner further covenants and agrees that within sixty-three (63) months following the “Close of Escrow” for the Loan as defined in the Loan Agreement, at least fifty-one percent (51%) of all, but in no event fewer than 340, full-time equivalent permanent jobs (exclusive of development and construction jobs) created by the Project will be held by or made available for first consideration to, low and moderate income persons, in accordance with 24 CFR 570.208(a)(4), subparagraphs (i), (iii), (iv), (v) and (vi). Preexisting jobs relocated from another jobsite outside Los Angeles County will be counted towards the foregoing 340 requirement; relocated jobs from within Los Angeles County will be counted only pursuant to applicable HUD determinations. “Low and moderate income person” is defined by 24 CFR 570.3(r) as a member of a family having a family income equal to or less than the Section 8 lower income limit established by HUD and furnished to the Owner by the City, subject to 24 CFR 570.208(a)(4), subparagraphs (i), (iii), (iv), (v) and (vi). Jobs will be considered to be “available” to low and moderate income persons for purposes of this subsection b only if (i) special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the employer agrees to hire unqualified persons and provide training; and (ii) Owner takes actions to ensure that low and moderate income persons receive first consideration for filling such jobs. In connection with and in furtherance of the foregoing, Owner shall prepare or obtain from his tenants and provide to City within 30 days after each of the leases are signed: (i) a listing by job title of the full-time equivalent permanent jobs anticipated to be created, indicating which jobs will be available to low and moderate income persons, which jobs require special skills or education, and which jobs are part-time, if any, and (ii) an updated description of actions to be taken by Owner to ensure that low and moderate income persons receive first consideration for such jobs, the initial version of which description is attached hereto as Exhibit “C”. Owner and City shall replace the initial Exhibit “C” with an updated version to be mutually agreed upon within 45 days following the date of this Agreement.

c. In satisfying the requirements of this Section (1), Owner shall require that each prospective low and moderate income employee complete an Employee Questionnaire in the form attached hereto as Exhibit “D” (“**Questionnaire**”), certifying that the prospective employee's family income does not exceed the income limits applicable to the prospective employee at the time of his or her application, as these limits may hereafter be established from time to time in accordance with 24 CFR 570.3 and set forth on such Questionnaire. The form of the Questionnaire shall be updated annually to incorporate the revised median income tables promulgated by HUD. The Questionnaires submitted to the Owner by prospective employees together with Questionnaires received from the Owner by Tenants shall be submitted to City quarterly, within ten days following the end of each calendar quarter. Notwithstanding anything to the contrary hereinabove, once businesses contained within the Project (a “**Subject Business**”) have, in the aggregate, completed their initial hiring of at least 340 full-time equivalent permanent employees in accordance with Paragraph (1)(b) above, Questionnaires are not required to thereafter be submitted on behalf of such Subject Businesses and the hiring data (except for the data compiled as of the completion of its initial hiring of permanent employees) for such Subject Businesses need not thereafter be included in any Questionnaire submitted by Owner to the City. The data compiled as of the completion of the initial hiring by each Subject Business will be aggregated with

the data compiled upon the completion of the initial hiring by all other Subject Businesses in order to determine compliance with the hiring requirement specified hereinabove. The City may, in its sole discretion, deem the hiring requirement specified hereinabove satisfied based on completed hirings by certain Subject Businesses notwithstanding that other Subject Businesses have yet to complete their hiring. Subject to reporting to the Los Angeles County Community Development Commission and HUD, and subject further to the California Public Records Act, the Freedom of Information Act and other applicable laws, the City shall treat the Questionnaires as confidential proprietary information for internal use only.

d. In addition to the Questionnaires delivered to the City as provided above, Owner shall establish and maintain, and request that each Tenant establish and maintain, until the later of three years following the Close of Escrow for the Loan or five years following satisfaction of the job creation requirements in (1)(b) above, such records as necessary to enable the City to determine whether Owner has met the requirements of this Section (1), including, without limitation, (i) a listing by job title of each full-time equivalent permanent job filled, and which jobs of those were available to low and moderate income persons, and (ii) a description of how first consideration was given to such persons for those jobs, including what hiring process was used, which low and moderate income persons were interviewed for a particular job, and which low and moderate income persons were hired.

(2) Except for the maintenance of records as described in Section (1)(d) above, and provided that there then exists no uncured default by Owner under this Agreement, all of Owner's obligations under Section (1) above shall be deemed satisfied upon City's review of Questionnaires demonstrating that Subject Businesses have completed their initial hiring (or making "available" as defined above) of at least 340 full-time equivalent permanent employees in accordance with Paragraph (1)(b) above. Following such satisfaction of Owner's Section (1) obligations, City will reasonably cooperate in executing and recording an amended and restated version of this Agreement deleting the obligations which have been satisfied, provided that Owner pays or reimburses to City any attorneys fees and costs, escrow fees and recording fees reasonably incurred by City in connection therewith.

(3) Management of Project. Subject to the terms and conditions contained hereinbelow, Owner shall at all times during the operation of the Project pursuant to this Agreement retain an entity to perform the management and/or supervisory functions ("**Management Entity**") with respect to the operation of the Project including day-to-day administration, maintenance and repair. Owner shall obtain City's written approval of the Management Entity, which approval shall not be unreasonably withheld. Subject to any regulatory or licensing requirements of any other applicable governmental agency, the management contract ("**Management Contract**") may be for a term of up to fifteen (15) years and may be renewed for successive terms in accordance with its terms. The Management Contract shall also provide that the Management Entity shall be subject to termination for failure to meet Project maintenance and operational standards set forth herein or in other agreements between Owner and City. Owner shall promptly terminate any Management Entity which commits or allows such failure, unless the failure is cured within a reasonable period in no event exceeding 60 days (or longer if reasonably necessary for the cure and the cure is being diligently pursued) from Management Entity's receipt of notice of the failure from Owner or City. Owner's obligation to retain a Management Entity shall remain in force and effect throughout the Term. Notwithstanding anything to the contrary in this Section (3), the Project may be self-managed, or managed by a Management Entity owned and controlled by Owner, with the prior express written approval of the City Executive Director. Management by Dedeaux Properties, LLC or any affiliate of Dedeaux Enterprises, Inc. or DART Entities, Inc. is hereby approved. The requirements of this Section (3) shall apply only prior to Owner's satisfaction of the job creation obligations of Section (1) above.

(4) Operations and Maintenance. Owner hereby covenants on behalf of itself, and its successors and assigns, which covenant shall run with the land and bind every successor and assign in interest of Owner for the duration specified in Paragraph (9) below, that Owner and such successors and assigns shall use the Development Site solely for the purpose of constructing and operating the Project and ancillary improvements thereon, in accordance with and of the quality prescribed by this Agreement, the Loan Agreement and the Deed of Trust (as defined in the Loan Agreement).

Owner covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Owner for the duration specified in Paragraph (9) below, that during development of the Development Site pursuant to this Agreement and thereafter, neither the Development Site nor the Project, nor any portion thereof, shall be improved, used or occupied in violation of any applicable Governmental Restrictions (as defined below) or the restrictions contained in this Agreement. Furthermore, Owner and its successors and assigns shall not maintain, commit, or permit the maintenance or commission on the Development Site or in the Project, or any portion thereof, of any nuisance, public or private, as now or hereafter defined by any statutory or decisional law applicable to the Development Site or the Project, or any portion thereof. Notwithstanding the foregoing, the requirements of this Section (4) shall apply only prior to Owner's satisfaction of the job creation obligations of Section (1) above.

As used herein, "**Governmental Restrictions**" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they pertain to the performance of this Agreement or development or operation of the Project, including specifically but without limitation all code and other requirements of the jurisdiction in which the Project is located; the California Environmental Quality Act, the National Environmental Policy Act (NEPA); and applicable federal, state and local laws. Owner shall indemnify, defend and hold City harmless for any suit, cost, attorneys' fees, claim, administrative proceeding, damage, award, fine, penalty or liability arising out of or relating to the Loan or this Agreement.

(5) Performance of Maintenance.

The requirements of this Paragraph (5) and of Paragraph (6) below shall apply only prior to Owner's satisfaction of the job creation obligations in Paragraph (1) above. Owner shall, at its expense, (i) maintain all improvements and landscaping on the Development Site in first-class order, condition, and repair (and, as to landscaping, in a healthy and thriving condition) in accordance with the approved plans for the Project and all Governmental Restrictions, and (ii) manage the Project and Project finances reasonably prudently and in compliance with applicable Governmental Restrictions so as to maintain a safe and attractive environment for Tenants. Specifically:

a. Owner shall maintain in accordance with City Standards, as hereinafter defined, the private improvements, public improvements and landscaping to the curblines on and abutting the Development Site. Said improvements shall include, but not be limited to, buildings, sidewalks and other paved areas, pedestrian lighting, landscaping, irrigation of landscaping, architectural elements identifying the Development Site and any and all other improvements on the Development Site and in the public right-of-way to the nearest curblines abutting the Development Site.

b. To accomplish the maintenance, Owner shall either staff or contract with and hire, or cause its tenants to contract with and hire, licensed (if required by applicable law) and qualified personnel to

perform the maintenance work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Agreement.

c. City Standards: The following standards (“**City Standards**”) shall be complied with by Owner and its maintenance staff, contractors or subcontractors:

(i) Ordinary Maintenance Standards - Owner shall maintain the Project and Development Site in good repair, order and condition at all times in order to assure that the Project is kept in a decent, safe, and sanitary condition, and that the buildings, grounds, and equipment are to be maintained in a manner that will preserve their condition. Owner shall perform any repairs or replacements necessary in order to maintain the Development Site in accordance with applicable ordinances of the city in which it is located.

(ii) Annual Inspection Standards - Owner shall annually inspect the Development Site for compliance with the maintenance standards specified in this Agreement. The completed annual inspection will be documented and reported to City on an annual basis, and at the end of each year Owner shall submit to City a declaration certifying that the annual inspection was performed at the Development Site. Owner shall retain records of the inspection and make them available for review by City at the request of City. Owner shall perform any preventative maintenance and extraordinary repairs or replacements necessary in order to maintain the Development Site, in the condition required by this Agreement including extraordinary replacement of equipment, betterment, and additions. Extraordinary repairs or replacement consists of major repairs and rehabilitation involving substantial expenditures which usually are needed only at relatively long intervals of time, or are caused by such occurrences as earthquake, fire, obsolescence and, in some instances, neglect. Such items as replacement of roofs, replacement of corroded gas and heating lines, and rehabilitation of landscaping (ground-cover) would be considered in this category.

(iii) City may enter and inspect the premises at any time after notifying Owner at a time (except in an emergency) mutually convenient for City and Owner’s applicable tenants.

(6) Failure to Maintain Improvements. In the event Owner does not maintain the Development Site improvements to the curblin(e)s in the manner set forth herein and in accordance with City Standards, City shall have the right to maintain such private and/or public improvements, or to contract for the correction of such deficiencies, after (i) written notice to Owner stating that the condition of said improvements does not meet with City Standards and specifying the deficiencies and the actions required to be taken by Owner to cure the deficiencies (“**Deficiency Notice**”); and (ii) the lapse of the applicable “Cure Period,” as hereinafter defined. Upon receipt of the Deficiency Notice, Owner shall have thirty (30) days within which to correct, remedy or cure the deficiency, unless such deficiency is not capable of being cured within such 30 day period, then such amount of time as is needed, to cure such deficiency provided owner is diligently pursuing cure; provided however, if the Deficiency Notice states the problem is urgent relating to public health and safety, then Owner shall have forty-eight (48) hours to rectify the problem (collectively the “**Cure Periods**”).

In the event Owner fails to correct, remedy, or cure such maintenance deficiency after the Deficiency Notice and after the applicable Cure Period has lapsed, then City shall have the right to maintain such improvements. Owner agrees to pay City such maintenance charges and costs. Until so paid, City shall have a lien on the Development Site for the amount of such maintenance charges or costs, which lien shall be

perfected by the recordation of a "Notice of Claim of Lien" against the Development Site. Upon recordation of a Notice of a Claim of Lien against the Development Site, such lien shall constitute a lien on the fee estate in and to the Development Site prior and superior to all other monetary liens except: (i) all taxes, bonds, assessments, and other levies which by law would be superior thereto; (ii) the lien or charges of any mortgage, deed of trust, or other security interest then of record made in good faith and for value, it being understood that the priority for any such lien for costs incurred to comply with this Agreement shall date from the date of the recordation of the Notice of Claim of Lien. Any such lien shall be subject and subordinate to any lease or sublease of the interest of Owner in the Development Site or any portion thereof and to any easement affecting the Development Site or any portion thereof entered into at any time (either before or after) the date of recordation of such a Notice. Any lien in favor of City created or claimed hereunder is expressly made subject and subordinate to any mortgage or deed of trust made in good faith and for value, recorded as of the date of the recordation of the Notice of Claim of Lien describing such lien as aforesaid, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of any such mortgage or deed of trust, unless the mortgage or beneficiary thereunder expressly subordinates his interest, or record, to such lien. No lien in favor of City created or claimed hereunder shall in any way defeat, invalidate, or impair the obligation or priority of any lease, sublease or easement unless such instrument is expressly subordinated to such lien. Upon foreclosure of any mortgage or deed of trust made in good faith and for value and recorded prior to the recordation of any unsatisfied Notice of Claim of Lien, the foreclosure-purchaser shall take title to the Development Site free of any lien imposed herein by City that has accrued up to the time of the foreclosure sale, and upon taking title to the Development Site, such foreclosure-purchaser shall only be obligated to pay costs associated with this Agreement accruing after the foreclosure-purchaser acquires title to the Development Site. If the Development Site is ever legally divided with the written approval of City and fee title to various portions of the Development Site is held under separate ownerships, then the burdens of the maintenance obligations set forth herein and in the Agreement and the charges levied by City to reimburse City for the cost of undertaking such maintenance obligations of Owner and its successors and the lien for such charges shall be apportioned among the fee owners of the various portions of the Development Site under different ownerships proportionate to the square footage of the land contained in the respective portions of the Development Site owned by them. Upon apportionment, no separate owner of a portion of the Development Site shall have any liability for the apportioned liabilities of any other separate owner of another portion of the Development Site, and the lien shall be similarly apportioned and shall only constitute a lien against the portion of the Development Site owned in fee by the owner who is liable for the apportioned lien and against no other portion of the Development Site. Owner acknowledges and agrees City may also pursue any and all other remedies available in law or equity. Owner shall be liable for any and all reasonable attorneys' fees, and other legal costs or fees incurred in collecting said maintenance costs.

(7) Owner's Obligation to Refrain From Discrimination. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Development Site, nor shall Owner itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Development Site or any portion thereof. The nondiscrimination and nonsegregation covenants set forth herein shall remain in effect in perpetuity.

Owner shall refrain from restricting the rental, sale or lease of the Development Site or any portion thereof on the basis of race, color, creed, religion, sex, marital status, national origin, or ancestry of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

a. In deeds: "The grantee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

b. In leases: "The lessee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased."

c. In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the parties to this contract or any person claiming under or through them, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the premises."

Nothing in this Section shall be construed or understood to limit, restrict or in any way waive the income requirements described in this Agreement.

(8) Environmental Mitigation Measures. Prior to "completion" of the Project, as defined in the Loan Agreement, the Owner shall implement, or cause to be implemented, the environmental mitigation measures described on Exhibit "E," attached hereto.

(9) Covenants Run With the Land; Duration of Covenants. The covenants and agreements established in this Agreement shall be covenants running with the land and shall, without regard to technical classification and designation, be binding on Owner and any successor-in-interest to Owner's interest in the Development Site, or any part thereof, for the benefit of and in favor of City and its successors and assigns. The covenants of this Agreement shall remain in effect through the twentieth (20th) anniversary of the date hereof ("Term") (unless a shorter duration is otherwise specified herein), notwithstanding the repayment of the Loan by Owner prior to the Maturity Date (as defined in the Loan Agreement). The covenants contained in Section (7) of this Agreement shall remain in effect in perpetuity.

The Improvements to the curblin(e)s and the maintenance thereof touch and concern the Development Site and inure to the benefit of any and all present or successive owners of the Development Site. Therefore, whenever the word "owner" is used herein, it shall include the owner as of date of execution of this Agreement, and any and all successor owners or assigns of the Development Site, and the provisions hereof are expressly binding upon all such successive owners and assigns and the parties agree all such provisions shall run with the land. City shall cause a fully executed copy of this Agreement to be recorded in the Office

of the Los Angeles County Recorder. Notwithstanding the foregoing, in the event Owner or its successors or assigns shall convey its fee interest in all or any portion of the Development Site, the conveying owner shall be free from and after the date of recording such conveyance of all liabilities, respecting the performance of the restrictions, covenants or conditions contained in this Agreement thereafter to be performed with respect to the Development Site, or any part thereof, it being intended that the restrictions, covenants and conditions shall be binding upon the record owners of the Development Site only during such time as that person is the owner of the Development Site, provided that the conveying owner shall remain liable for any actions prior to the date of the conveyance.

(10) Enforcement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City and any assignees of this Agreement (including, without limitation, the County of Los Angeles ("**County**"), the Community Development Commission of the County of Los Angeles ("**CDC**") and the U.S. Department of Housing and Urban Development ("**HUD**") shall be deemed the beneficiary(ies) of the terms and provisions of this Agreement and of the restrictions and covenants running with the land for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit the covenants running with the land have been provided. Each covenant of Owner, shall, without regard to technical classification and designation, inure to the benefit of the successors, transferees and assigns of City for the entire period during which such covenants shall be in force and effect, and shall be binding upon the successors, transferees and assigns of Owner, whether by merger, consolidation, sale, transfer, liquidation or otherwise. Each covenant in favor of City (and any assignee of the City) is for the benefit of the real property owned by City (or such assignee) in the area surrounding or otherwise in the vicinity of the Development Site. The covenants herein running with the land shall also be equitable servitudes upon the Development Site and each part thereof and shall bind each and every person having any interest in the Development Site or part thereof, whether such interest is fee, easement, leasehold, beneficial or otherwise, and each successor or assign of such person having any such interest in the Development Site or part thereof. City (and any assignee of City) shall have the right if any of the covenants set forth in this Agreement which are provided for its benefit are breached, to exercise all rights and remedies and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breach to which it may be entitled, subject to the nonrecourse provisions of Section 5 of the Loan Agreement. In the event that suit is brought for the enforcement of this Agreement or as the result of any alleged breach hereof, the prevailing party or parties in such suit shall be entitled to recover their reasonable attorneys' fees from the losing party or parties, and any judgment or decree rendered in such proceedings shall include an award thereof. Except for City (and any assignee of City), the covenants and restrictions contained in this Agreement shall not benefit nor be enforceable by any owner of any other real property or any person or entity having any interest in any such other real property. Notwithstanding the foregoing, the covenants and provisions of this Agreement shall be binding on tenants of Owner only to the extent applicable to their premises and only until the job creation and reporting requirements of Paragraph (1) above have been fully performed.

(11) Compliance with Law. Owner shall comply with all Governmental Restrictions relating to the uses of or condition of the Development Site private improvements and public improvements to the curbside(s). Local laws for the purposes of this section shall include only those ordinances which are nondiscriminatory in nature and applicable to the public welfare, health, safety and aesthetics. If any new local laws relating to the uses of or condition of the improvements create a condition or situation that constitutes a lawful nonconforming use as defined by local ordinance with respect to the Development Site or any portion thereof, then so long as the lawful nonconforming use status remains in effect (i.e., until such lawful status is properly terminated by amortization as provided for in the new local law or otherwise), Owner

shall be entitled to enjoy the benefits of such lawful nonconforming use pursuant to the lawful nonconforming uses ordinance.

(12) Indemnification and Insurance. From and after the execution of this Agreement, Owner hereby agrees to indemnify and hold harmless City, County, CDC and HUD and all of their respective members, directors, agents, officers and employees (“**Representatives**”), and each of them, from and against all liability, expense, including reasonable defense costs and legal fees of counsel acceptable to City, County, CDC and HUD and claims (“**Losses and Liabilities**”) related directly or indirectly to, or arising out of or in connection with (i) any breach or default by Owner hereunder, (ii) any of Owner's activities on the Development Site (or the activities of Owner's agents, employees, lessees, representatives, licensees, guests, invitees, contractors, subcontractors or independent contractors on the Development Site), including without limitation the construction of any improvements on the Development Site or the use or condition of any such Improvements, or (iii) any other fact, circumstance or event related to Owner's performance hereunder; provided, however, that the foregoing indemnity shall not extend to any Losses and/or Liabilities to the extent resulting from the negligence or misconduct of the City and/or any City Representatives.

Without limiting Owner's indemnification of the City, County, CDC and HUD as set forth above, until the job creation and reporting obligations under Paragraph (1) above have been fully performed, Owner shall provide and maintain at its sole cost and expense, the following insurance program from insurers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide:

a. Comprehensive liability insurance, including coverage for personal injury, death, property damage and contractual liability, with a combined single limit of at least one million dollars (\$1,000,000) for each occurrence (\$2,000,000 General Aggregate), including products and completed operations coverage. City, County, CDC, HUD and all Representatives shall be carried as additional insureds with respect to liability arising from activities performed by or on behalf of Owner, premises owned, leased or used by such persons. Said insurance shall be primary insurance with respect to City, County, CDC and HUD. Except as otherwise provided in this Agreement, said insurance shall be maintained continuously for as long as Owner shall own the Development Site, and shall be endorsed to require thirty (30) days prior written notice from insurer to City, County, CDC and HUD before cancellation or reduction in coverage. The policy shall contain a waiver of subrogation for the benefit of City, County, CDC and HUD.

b. “All Risk” property insurance, including builder's risk protection during the course of construction, covering the full replacement value of the improvements. Said insurance shall include debris removal and shall provide coverage for earthquake and flood if this protection is available from responsible carriers at reasonable cost.

c. Worker's Compensation insurance as required by the Labor Code of the State of California and Employer Liability limits of \$1,000,000 per accident.

d. Earthquake coverage, in form and amount reasonably approved by City shall be maintained for all buildings; provided, however, that the requirement for earthquake insurance shall be waived by the City for any period during which Owner demonstrates, to the reasonable satisfaction of City's Executive Director, that earthquake coverage is not available at a commercially reasonable cost.

Owner shall annually (or more frequently in the event of a change of insurer or policy) deliver to City certificates of insurance with original endorsements evidencing the coverage required by this

Agreement. The certificates and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf. City reserves the right to require complete certified copies of all policies at any time.

Said insurance may provide for such deductibles or self-insured retention as may be reasonably acceptable to City, County, CDC and HUD. In the event such insurance does provide for deductibles or self insurance, Owner agrees that it will protect City, County, CDC, HUD and Representatives in the same manner as these interests would have been protected had full commercial insurance been in effect.

If required by City, County, CDC and/or HUD from time to time, Owner shall reasonably increase the limits of its liability insurance to reasonable amounts customary for owners of improvements similar to those on the Development Site.

Failure on the part of Owner to procure or maintain required insurance shall constitute a material breach of this Agreement under which City may immediately terminate this Agreement or, at the discretion of City, County, CDC and/or HUD, procure or renew such insurance and pay any and all reasonable premiums in connection therewith, and all monies so paid by City, County, CDC or HUD, as the case may be, shall be repaid by Owner to City, County, CDC and/or HUD upon demand.

Owner shall furnish a certificate of insurance and endorsement countersigned by an authorized agent of the insurance carrier on a form of the insurance carrier setting forth the general provisions of the insurance coverage. This countersigned certificate and endorsement shall name City, County, CDC and HUD, and if available, the Representatives, as additional insureds under the policy. The certificate by the insurance carrier shall contain a statement of obligations on the part of the carrier to notify City, County, CDC and HUD of any material change, cancellation or termination. Coverage provided hereunder by Owner shall be primary insurance and not contributing with any insurance maintained by City, and the policy shall contain such an endorsement. The insurance policy or the certificate of insurance shall contain a waiver of subrogation for the benefit of City, County, CDC and HUD.

(13) Bodily Injury and Property Damage. Owner shall defend, assume all responsibility for and hold City, County, CDC and HUD and the Representatives harmless from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including attorneys' fees and Court costs), which result from any of Owner's activities under this Agreement, whether such activities or performance thereof be by Owner or anyone directly or indirectly employed or contracted with by Owner and whether such damage shall accrue or be discovered before or after termination of this Agreement.

(14) Waiver. Failure or delay by either party to perform any term or provision of this Agreement constitutes a default under this Agreement. The aggrieved party shall give written notice of the default to the party in default as set forth in Section (17) e hereof. If the defaulting party within a reasonable time commences to cure, correct, or remedy such default, and shall complete such cure, correction or remedy with reasonable and due diligence, within a thirty (30) day period or such longer period as reasonably determined by City, if the default cannot be cured within thirty (30) days, then the defaulting party shall no longer be in default. The waiver by one party of the performance of any covenant, condition, or promise shall not invalidate this Agreement nor shall it be considered a waiver by such party of any other covenant, condition or promise hereunder. The exercise of any remedy shall not preclude the exercise of other remedies City, or Owner may have at law or at equity.

(15) Modification. This Agreement may be modified only by subsequent mutual written agreement executed by Owner and City.

(16) Attorney's Fees. In the event of litigation arising out of any breach of this Agreement, the prevailing party shall be entitled to recover reasonable costs and attorney's fees.

(17) Miscellaneous Provisions.

a. Interpretation. The provisions of this document shall be liberally construed to effectuate its purpose. Time is of the essence of this Agreement.

b. Severability. Invalidation of any of the covenants, conditions, restrictions, or other provisions contained in this Agreement by judgment or court order shall in no way affect any of the other covenants, conditions, restrictions, or provisions hereof, which shall remain in full force and effect.

c. Headings. The caption headings of the various sections and paragraphs of this Agreement are for convenience and identification only, and shall not be deemed to limit or define the contents of their respective sections or paragraphs.

d. Effective Date. This Agreement shall take effect upon its recording in the Office of Los Angeles County Recorder.

e. Notices. Formal notices, demands, and communications between City and Owner shall be given either by personal service, by overnight courier, or by mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the principal offices of City or Owner, as follows:

If to Owner: Dedaux Properties
 1430 Eastman Avenue
 Commerce, CA 90023-3226
 Attn: Mr. Raoul Dedaux

With copies to: DLA, Piper, Rudnick, Gray, Cary, USLLP
 550 South Hope Street, Suite 2300
 Los Angeles, CA 90071
 Attention _____, Esq.

Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director

Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Community Development Block Grant Division

If to City: The City of Commerce
 2535 Commerce Way
 Commerce, CA 90040

Attn: City Administrator

With copies to: The City of Commerce
2535 Commerce Way
Commerce, CA 90040
Attention: City Attorney

Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director

Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Community Development Block Grant Division

Notices shall be effective upon receipt, if given by personal delivery, the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail, and one (1) business day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Agreement.

f. Exhibits. Each Exhibit mentioned in this Agreement is attached hereto and incorporated herein by this reference.

g. Execution in Counterparts. The parties may execute this document in two or more counterparts; each counterpart shall be deemed an original instrument as against any party who has executed it.

h. Mortgagee Protection. The exercise of any remedy by the City for a default by Owner under this Agreement shall not extinguish or impair any lien on the Development Site held by a lender providing construction or permanent financing in connection with the Project.

i. Estoppel Certificate. Upon the written request of Owner from time to time, the City shall provide a certificate, signed by an authorized representative of City, certifying to a lender, tenant or other interested person designated by Owner that there are no uncured defaults by Owner under this Agreement, or specifying any outstanding defaults. Each request shall be accompanied by payment of \$1,500 to City to defray the City's cost of investigating and processing the request.

j. Notice and Cure Right. Except where another procedure and/or cure period is specified in this Agreement, City shall provide Owner with notice specifying the default and 30 days following the notice to cure the default prior to exercising any remedy pursuant to this Agreement.

k. Assignment of this Agreement to City. The Parties acknowledge that the funds used by City in making the Loan to Owner will come from HUD through the County of Los Angeles ("County"), and that concurrent with the execution of this Agreement by City and Owner, City is assigning its interest herein to County. From and after such assignment to County, all references in this Agreement to the City

shall be deemed to refer only to the County, including but not limited to Owner's indemnification obligations in Paragraphs (4) and (12) above, which shall run in favor of the County only and not the City.

IN WITNESS WHEREOF, City and Owner have caused this instrument to be executed on their behalf by their respective officers hereunto duly authorized as of date first written above.

City:

CITY OF COMMERCE,
a California municipal corporation

By: _____
Thomas Sykes, City Administrator

APPROVED AS TO FORM:

Eduardo Oliva, City Attorney

Owner:

DEDEAUX PROPERTIES, LLC,
a California limited liability company

By: _____
Raoul Dedeaux, President

By: _____
William J. Smollen, Treasurer

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, 2005, before me _____, Notary Public, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature_____

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, 2005, before me _____, Notary Public, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature_____

STATE OF CALIFORNIA)
)
) SS.
COUNTY OF _____)

On _____, 2005, before me _____, Notary Public, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature_____

EXHIBIT "A" TO CC&Rs

LEGAL DESCRIPTION OF DEVELOPMENT SITE

EXHIBIT "B" TO CC&Rs

MAP FOR JOB CREATION RADIUS

EXHIBIT "C" TO CC&RS

**DESCRIPTION OF ACTIONS TAKEN BY DEVELOPER TO ENSURE JOBS OFFERED TO
LOW TO MODERN INCOME PERSON**

Specific actions to be taken by the Employment and Business Development Office and Dedeaux Properties, LLC to ensure compliance with the attached contract provision:

Owner further covenants and agrees that within sixty-three (63) months following the "Close of Escrow" for the Loan as defined in the Loan Agreement, at least fifty-one percent (51%) of all, but in no event fewer than 340, full-time equivalent permanent jobs (exclusive of development and construction jobs) created by the Project will be held by or made available for first consideration to, low and moderate income persons, in accordance with 24 CFR 570.208(a)(4), subparagraphs (i), (iii), (iv), (v) and (vi). Preexisting jobs relocated from another jobsite outside Los Angeles County will be counted towards the foregoing 340 requirement; relocated jobs from within Los Angeles County will be counted only pursuant to applicable HUD determinations. "Low and moderate income person" is defined by 24 CFR 570.3(r) as a member of a family having a family income equal to or less than the Section 8 lower income limit established by HUD and furnished to the Owner by the City, subject to 24 CFR 570.208(a)(4), subparagraphs (i), (iii), (iv), (v) and (vi). Jobs will be considered to be "available" to low and moderate income persons for purposes of this subsection b only if (i) special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the employer agrees to hire unqualified persons and provide training; and (ii) Owner takes actions to ensure that low and moderate income persons receive first consideration for filling such jobs. In connection with and in furtherance of the foregoing, Owner shall prepare or obtain from his tenants and provide to City within 30 days after each of the leases are signed: (i) a listing by job title of the full-time equivalent permanent jobs anticipated to be created, indicating which jobs will be available to low and moderate income persons, which jobs require special skills or education, and which jobs are part-time, if any, and (ii) an updated description of actions to be taken by Owner to ensure that low and moderate income persons receive first consideration for such jobs, the initial version of which description is attached hereto as Exhibit "C". Owner and City shall replace the initial Exhibit "C" with an updated version to be mutually agreed upon within 45 days following the date of this Agreement.

c. In satisfying the requirements of this Section (1), Owner shall require that each prospective low and moderate income employee complete an Employee Questionnaire in the form attached hereto as Exhibit "D" ("**Questionnaire**"), certifying that the prospective employee's family income does not exceed the income limits applicable to the prospective employee at the time of his or her application, as these limits may hereafter be established from time to time in accordance with 24 CFR 570.3 and set forth on such Questionnaire. The form of the Questionnaire shall be updated annually to incorporate the revised median income tables promulgated by HUD. The Questionnaires submitted to the Owner by prospective employees together with Questionnaires received from the Owner by Tenants shall be submitted to City quarterly, within ten days following the end of each calendar quarter. Notwithstanding anything to the contrary hereinabove, once businesses contained within the Project (a "**Subject Business**") have, in the aggregate, completed their initial hiring of at least 340 full-time equivalent permanent employees in accordance with Paragraph (1)(b) above, Questionnaires are not required to thereafter be submitted on behalf of such Subject Businesses and the hiring data (except for the data compiled as of the completion of its initial hiring of permanent employees) for such Subject Businesses need not thereafter be included in any Questionnaire submitted by Owner to the City.

The data compiled as of the completion of the initial hiring by each Subject Business will be aggregated with the data compiled upon the completion of the initial hiring by all other Subject Businesses in order to determine compliance with the hiring requirement specified hereinabove. The City may, in its sole discretion, deem the hiring requirement specified hereinabove satisfied based on completed hirings by certain Subject Businesses notwithstanding that other Subject Businesses have yet to complete their hiring. Subject to reporting to the Los Angeles County Community Development Commission and HUD, and subject further to the California Public Records Act, the Freedom of Information Act and other applicable laws, the City shall treat the Questionnaires as confidential proprietary information for internal use only.

d. In addition to the Questionnaires delivered to the City as provided above, Owner shall establish and maintain, and request that each Tenant establish and maintain, until the later of three years following the Close of Escrow for the Loan or five years following satisfaction of the job creation requirements in (1)(b) above, such records as necessary to enable the City to determine whether Owner has met the requirements of this Section (1), including, without limitation, (i) a listing by job title of each full-time equivalent permanent job filled, and which jobs of those were available to low and moderate income persons, and (ii) a description of how first consideration was given to such persons for those jobs, including what hiring process was used, which low and moderate income persons were interviewed for a particular job, and which low and moderate income persons were hired.

(2) Except for the maintenance of records as described in Section (1)(d) above, and provided that there then exists no uncured default by Owner under this Agreement, all of Owner's obligations under Section (1) above shall be deemed satisfied upon City's review of Questionnaires demonstrating that Subject Businesses have completed their initial hiring (or making "available" as defined above) of at least 340 full-time equivalent permanent employees in accordance with Paragraph (1)(b) above. Following such satisfaction of Owner's Section (1) obligations, City will reasonably cooperate in executing and recording an amended and restated version of this Agreement deleting the obligations which have been satisfied, provided that Owner pays or reimburses to City any attorneys fees and costs, escrow fees and recording fees reasonably incurred by City in connection therewith.

Actions to meet Section 108 Job Creation Criteria

The City of Commerce will work closely with Dedeaux Properties to, within 63 months, create and hire 340 full-time equivalent permanent jobs at the Contessa facility. At least fifty-one percent (51%) of the jobs will be made available for first consideration to, low and moderate income persons from the City of Commerce and/or within the five-mile radius around the site. The coordination of hiring employees will be done in compliance with 24 CFR 570, JOB RETENTION ACTIVITIES, § 570.208 et al.

As part of an arrangement with Dedeaux Properties and Contessa, the City of Commerce will assist in the employment process and utilize the Employment and Business Development Office (EBDO). Contessa must provide the following information on the jobs created:

- List of and description of jobs
- Job salaries
- Special skills or education required
- Part-time vs. full-time
- Actions to be undertaken by owner to ensure that low and moderate income persons receive first consideration for jobs

All employees must complete an Employee Questionnaire Income Self Certification. A New Hire Employee Questionnaire Income Self Certification Form is required from each employee that is

hired to replace an employee who vacated the position identified in the original survey. All businesses that benefit from the project must collect and submit results. Aggregate computations must document that at least 51% percent of jobs are held by qualified low- or moderate-income persons.

Employment and Business Development Office

The Employment and Business Development Office (EBDO) will work in conjunction with Dedeaux Properties to assist with the job creation requirements of the Section 108 Loan Guarantee. The EBDO will provide the following programs:

- Employment Opportunities Advertising and Outreach
- Job Fair and Employment Screening
- On-site Facility Services

The EBDO will assist in the coordination of advertising available positions. Facility services provided will include: application intake and application assistance, and the use of offices for interviews and computer lab for testing and training.

Each new hire will complete the following form that will be updated annually to reflect current income levels:

EMPLOYEE SELF-CERTIFICATION OF INCOME QUESTIONNAIRE

Name: _____

Address: _____

1. Head of Household: _____ Male _____ Female

2. Number of people in Household: _____

3. Please check your household size and annual income level (from all sources):

Household Size	Extremely Low-Income*	Low-Income*	Moderate-Income*	Above Income*
1	_____ \$12,500 or less	_____ \$12,501 to \$20,850	_____ \$20,851 to \$33,300	_____ above \$33,301
2	_____ \$14,300 or less	_____ \$14,301 to \$23,800	_____ \$23,801 to \$38,100	_____ above \$38,101
3	_____ \$16,050 or less	_____ \$16,051 to \$26,800	_____ \$26,801 to \$42,850	_____ above \$42,851
4	_____ \$17,850 or less	_____ \$17,851 to \$29,750	_____ \$29,751 to \$47,600	_____ above \$47,601
5	_____ \$19,300 or less	_____ \$19,301 to \$32,150	_____ \$32,151 to \$51,400	_____ above \$51,401
6	_____ \$20,700 or less	_____ \$20,701 to \$34,500	_____ \$34,501 to \$55,200	_____ above \$55,201
7	_____ \$22,150 or less	_____ \$22,151 to \$36,900	_____ \$36,901 to \$59,000	_____ above \$59,001
8	_____ \$23,550 or less	_____ \$23,551 to \$39,250	_____ \$39,251 to \$62,850	_____ above \$62,851

*Please see Bulletin No. 04-0009 for comparison of CDBG and HUD terms. Incomes are adjusted annually.

4. Racial Background

Single Categories	Double Categories
_____ American Indian / Alaska Native	_____ American Indian or Alaska Native AND White
_____ Asian	_____ Asian AND White
_____ Black / African American	_____ African American AND White
_____ White	
_____ Other – for individuals not identified above	

5. Ethnic Background:

_____ No, not Spanish/Hispanic/Latino	_____ Yes, Cuban
_____ Yes, Mexican, Mexican Am., Chicano	_____ Yes, other Spanish/Hispanic/Latino
_____ Yes, Puerto Rican	

I certify that the information is true and accurate and that supporting documentation can be provided upon request.

Applicant's Signature

Date

TO BE COMPLETED BY THE EMPLOYER OR INTERVIEWER:

**THE PERSON SIGNING THIS CERTIFICATE WAS INTERVIEWED FOR EMPLOYMENT AND NOT HIRED
BECAUSE:**

THE PERSON SIGNING THIS CERTIFICATE WAS HIRED FOR THE FOLLOWING POSITION:

Please check one: ☐ New Hire/Job Creation ☐ Permanent Full-time Job ☐ Permanent Part-time Job
He/She works hours per week; permanent part-time jobs should be reported in equivalent full-time positions.

Interviewer/Employer

Date

ENQUESTA DE EMPLEADO PARA AUTO-CERTIFICAR INGRESOS

Nombre: _____

Dirección: _____

1. Cabeza del Hogar: ☐ Hombre ☐ Mujer

2. Cantidad de Personas en el Hogar:

3. Por favor marque la cantidad de personas en su hogar y los ingresos anuales en total:

Hogar	Cantidad en el mente Bajos*	Ingresos Extremada-	Ingresos Bajos*	Ingresos Moderados*	Ingresos más Arriba de Moderado*
1	<input type="checkbox"/> \$12,500 o menos	<input type="checkbox"/> \$12,501 a \$20,850	<input type="checkbox"/> \$20,851 a \$33,300	<input type="checkbox"/> mas de \$33,300	
2	<input type="checkbox"/> \$14,300 o menos	<input type="checkbox"/> \$14,301 a \$23,800	<input type="checkbox"/> \$23,801 a \$38,100	<input type="checkbox"/> mas de \$38,100	
3	<input type="checkbox"/> \$16,050 o menos	<input type="checkbox"/> \$16,051 a \$26,800	<input type="checkbox"/> \$26,801 a \$42,850	<input type="checkbox"/> mas de \$42,850	
4	<input type="checkbox"/> \$17,850 o menos	<input type="checkbox"/> \$17,851 a \$29,750	<input type="checkbox"/> \$29,751 a \$47,600	<input type="checkbox"/> mas de \$47,600	
5	<input type="checkbox"/> \$19,300 o menos	<input type="checkbox"/> \$19,301 a \$32,150	<input type="checkbox"/> \$32,151 a \$51,400	<input type="checkbox"/> mas de \$51,400	
6	<input type="checkbox"/> \$20,700 o menos	<input type="checkbox"/> \$20,701 a \$34,500	<input type="checkbox"/> \$34,501 a \$55,200	<input type="checkbox"/> mas de \$55,200	
7	<input type="checkbox"/> \$22,150 o menos	<input type="checkbox"/> \$22,151 a \$36,900	<input type="checkbox"/> \$36,901 a \$59,000	<input type="checkbox"/> mas de \$59,000	
8	<input type="checkbox"/> \$23,550 o menos	<input type="checkbox"/> \$23,551 a \$39,250	<input type="checkbox"/> \$39,251 a \$62,850	<input type="checkbox"/> mas de \$62,850	

**Por favor vea "Bulletin No. 02-0013" para una comparación de términos entre el programa de Dádivas para el Desarrollo Comunitario, (CDBG) y la agencia Federal de Vivienda y Desarrollo Urbano, (HUD).*

4. Origen Nacional:

☐ Africo Americano
☐ Asiático/Isla Pacifica
☐ Americano Nativo

☐ Caucásico
☐ Latino
☐ Otro

Yo certifico que la información en esta forma es verdadera y exacta, y la documentación apoyando estos datos puede ser proveida al pedirse.

DEBE SER COMPLETADA POR UN EMPLEADO:

**THE PERSON SIGNING THIS CERTIFICATE WAS INTERVIEWED FOR EMPLOYMENT AND NOT HIRED
BECAUSE:**

THE PERSON SIGNING THIS CERTIFICATE WAS HIRED FOR THE FOLLOWING POSITION:

Please check one: ☐ New Hire/Job Creation ☐ Permanent Full-time Job ☐ Permanent Part-time Job
He/She works hours per week; permanent part-time jobs should be reported in equivalent full-time positions.

Interviewer/Employer

Date

EXHIBIT “D” TO CC&RS

PROSPECTIVE EMPLOYEE QUESTIONNAIRE – SELF CERTIFICATION FORM

EXHIBIT "E" TO CC&RS

ENVIRONMENTAL SPECIAL CONDITIONS

Title: Commerce Industrial Center DART Development Project – Section 108 Loan

The following special conditions/environmental mitigation measures must be included in the applicable Project contracts and documents as part of the Project scope, and implemented or caused to be implemented by the Owner on or before the date on which the Project is to be “completed” under the Loan Agreement in order to alleviate adverse environmental impacts. The environmental clearance is conditioned upon the implementation of all special conditions/mitigation measures:

1. Possible Onsite Hazards: Prior to demolition of onsite structures, the following shall be implemented:
 - Testing for asbestos-containing materials and lead-based paint shall be conducted in all onsite structures. If asbestos-containing materials or lead-based paint are found, they shall be removed by a licensed contractor in accordance with applicable regulations of the South Coast Air Quality Management District.
2. Historic, Cultural, and Archaeological Resources: Archaeological resources are not known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project’s archaeological area of potential effect (APE) must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that further disturbance shall not occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.
3. Solid Waste Recycling: Because of ongoing concerns about available landfill capacity, project design shall incorporate space for separate bins for waste and recyclable materials.
4. Water Supply: The project shall incorporate the following features to minimize its impact to regional water supplies:
 - Landscaped areas shall be designed with drought tolerant species. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.
 - All new structures shall be fitted with water conserving fixtures.
5. Additional Modifications: Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission (CDC) of the County of Los Angeles. Any modifications must continue to satisfy the requirements of NEPA and CEQA, as determined by the County.

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES
2 Coral Circle
Monterey Park, CA 91755-7425
Attn. Section 108 Loan Program

(Space Above For Recorder's Use)

ASSIGNMENT OF DEED OF TRUST AND OTHER LOAN DOCUMENTS

This ASSIGNMENT OF DEED OF TRUST AND OTHER LOAN DOCUMENTS (this "**Assignment**"), is made as of the ____ day of ____, 2005, by the CITY OF COMMERCE, a California municipal corporation ("**Assignor**") in favor of the COUNTY OF LOS ANGELES, a public entity corporate and politic ("**Assignee**"). DEDEAUX PROPERTIES, LLC, a California limited liability company ("**Developer**"), is also a party to this Assignment for purposes of the Agreement by Developer appended hereto.

1. In consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby assign, grant, convey and transfer to Assignee all of Assignor's right, title and interest in and to (i) the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of ____, 2005 ("**Deed of Trust**"), being recorded concurrently herewith against the Security Parcels described on Attachment "A" hereto, securing a loan in the principal amount of \$10,000,000 (the "**Loan**"), with such Deed of Trust being executed by Developer as Trustor to ____ Title Company as Trustee for the benefit of Assignor as Beneficiary; (ii) the Loan Agreement dated as of ____, 2005 by and between the Developer and the Assignor ("**Developer Loan Agreement**"); and (iii) the Promissory Note dated as of ____, 2005 in the original principal amount of \$10,000,000 executed by the Developer in favor of the Assignor; (iv) the UCC-1 Financing Statement dated as of ____, 2005 and executed by the Developer in favor of the Assignor; (v) Covenants, Conditions and Restrictions dated as of ____, 2005 and executed by the Developer in favor of the Assignor; and (vi) the \$1,000,000 irrevocable **standby letter of credit or certificate of deposit** described in the Developer Loan Agreement; and (vii) the Commercial Guaranty Agreements provided by the Developer. All of the items referenced in clauses (i) through (vii), inclusive, of the previous sentence are sometimes collectively referred to herein as the "Loan and Collateral Documents". This Assignment is an absolute and complete assignment by Assignor in favor of Assignee. The Community Development Commission of the County of Los Angeles ("Commission") will administer the Loan on

behalf of Assignee. The parties hereto acknowledge that some or all of the Loan and Collateral Documents may be further assigned by Assignee to the U.S. Department of Housing and Urban Development (“HUD”) and/or other assignees. None of Assignor's liabilities, obligations or responsibilities to Borrower or to any other party arising under this Assignment or any of the Loan and Collateral Documents shall become the liability, obligation or responsibility of Assignee or HUD.

2. By virtue of this Assignment, Assignor shall have no further right, title or interest in the Loan and Collateral Documents; provided, however, that to the extent HUD or another assignee of the Loan draws from the cash collateral provided by Assignor and held by the Escrow Agent pursuant to the Pledge and Security Agreement dated _____, 2005 by and among Assignor and Assignee, Assignor shall have the right, subject and subordinate to any rights of Assignee and HUD, to recoup the amount of such cash collateral draws from Developer solely through proceeds of a trustee's sale or foreclosure under the Deed of Trust to the extent such proceeds remain after payment in full of all obligations to Assignee and HUD. Assignor shall in no event have the right or power to declare a default or pursue a foreclosure, trustee's sale or other remedy under the Deed of Trust without the prior written consent of HUD and Assignee, which consent may be granted or withheld in their sole discretion.

3. This Assignment is effective as to Assignee and its successors and assigns ad infinitum.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed as of the date first written above.

“Assignor”

“Assignee”

CITY OF COMMERCE,
a California municipal corporation

COUNTY OF LOS ANGELES, a
public body corporate and politic

By: _____
Thomas Sykes, City Administrator

By: _____
Carlos Jackson, Executive Director
Community Development
Commission of the County of
Los Angeles

Approved as to form:

Approved as to form:
Raymond G. Fortner, Jr.
County Counsel

By: _____
Eduardo Olivo, City Attorney

By: _____
Deputy

AGREEMENT BY DEVELOPER:

The undersigned Developer hereby agrees to the terms of the foregoing Assignment. Without limiting the foregoing, Developer agrees that, except as specifically provided in paragraph 2 above, Assignor has assigned to Assignee all of Assignor's right, title and interest in the Loan and Collateral Documents, and consequently Assignor has no power to exercise, waive or modify any right or remedy under the Loan and Collateral Documents.

"Developer"

DEDEAUX PROPERTIES, LLC, a California limited liability company

By: _____
Raoul Dedeaux, President

By: _____
William J. Smollen, Treasurer

[illegible]

On _____, 2005, before me, _____, Notary Public, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

[illegible]

On _____, 2005, before me, _____, Notary Public, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On _____, 2005, before me, _____, Notary Public, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribe to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument, the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

**Attachment “A” – Legal
Description of Security Parcels**

**Community Development Commission
County of Los Angeles
Project Description and Activity Budget**

EXHIBIT H

Contract No. 70720

Version 0

PROJECT**OPERATING AGENCY**

Project No.: 600822-05 Title: Commerce Industrial Center DART Development Section 108 Loan Funding Period: From To 6/30/06 Jurisdiction: Section 108 Loans	Organization Name: City of Commerce Type: Participating City CDC Program Mgr: Steven Durham
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Project Administration

Commerce Community Development Department
 Stanley Smalewitz, Community Development Director
 2535 Commerce Way
 Commerce, CA 90040
 (323) 722-4805 phone
 (323) 888-6537 fax

Eligibility Summary

Funding Source: Section 108
 HUD Code: 18A ED Direct: Direct Financial Assistance to For Profit Business
 Eligibility Citation: 570.703(i) (1)
 National Objective: LMJ Low/Mod Jobs
 Nat. Objective Citation: 570.208(a)(4) (i)
 Est. Accomplishments: 340 Performance Indicator: Jobs

Activity Summary

The Section 108 Loan will provide funds for the development of the Commerce Industrial Center DART Development project. The City of Commerce will lend these funds to Dedeaux Properties, LLC to be used for the acquisition of two buildings on the DART Entities, Inc. commercial complex. This project will serve as an economic development activity to create at least 340 new permanent jobs in the City of Commerce. At least 51% of the new jobs will be filled by people of low- or moderate-income.

Funds will be used for the acquisition of a paper goods manufacturing building and for the acquisition of a 72,000 square-foot building to be used as a refrigerated food processing plant.

Special Conditions

The Operating Agency shall maintain income documentation to insure that at least 51 percent of program beneficiaries are of low- and moderate-income.

The Operating Agency shall maintain during the term of this Contract and for a period of three (3) years thereafter complete and adequate financial records and accounts as are considered necessary by the Commission to assure proper accounting for all program funds and to support all program expenditures. These records and accounts shall include, but not be limited to, the following: a General Ledger that

supports the costs charged to the CDBG or ESG Program; records documenting procurement of goods and services; contracts for goods or services; lease or rental agreements; invoices; billing statements; cancelled checks; timecards signed by employees and supervisors; personnel authorization records; payroll registers; payroll tax records; and bank statements, bank reconciliations and documentation to support the allocation of indirect costs.

Funding Summary

Formula Grant Funding	
<u>Cost Category</u>	<u>Amount</u>
Uncategorized	\$10,000,000
Total	\$10,000,000

Leverage Sources	
<u>Source</u>	<u>Amount</u>
Other Federal	\$1,000,000
Other Private	\$17,016,000
Total	\$18,016,000

Implementation Schedule

<u>Phase</u>	<u>Scheduled</u>	<u>% Complete</u>
Submit Bid Document	8/1/05	0%
Bid-Opening	10/1/05	8%
Contract Award	11/1/05	10%
Construction Completed	2/1/06	96%

Name: DART Entities, Inc.

Address: 4000 Noakes St

City: Commerce

ZIP: 90023

Service Area

<u>Region</u>	<u>Population</u>	<u>Low/Mod Pop</u>	
Commerce	12,481	6,836	
Grand Total:	12,481	6,836	54.77% Low/Mod

Community Development Commission County of Los Angeles Project Description and Activity Budget

Contract No. 70720

Revision 0

PROJECT**OPERATING AGENCY**

Project No.: 600823-05 Title: Commerce Industrial Center DART Development EDI Grant Funding Period: From To 6/30/06 Jurisdiction: Section 108 Loans	Organization Name: City of Commerce Type: Participating City CDC Program Mgr: Steven Durham
---	---

Project Administration

Commerce Community Development Department
 Stanley Smalewitz, Community Development Director
 2535 Commerce Way
 Commerce, CA 90040
 (323) 722-4805 phone
 (323) 888-6537 fax

Eligibility Summary

Funding Source: Section 108

HUD Code: 18A ED Direct: Direct Financial Assistance to For Profit Business

Eligibility Citation: 570.703(i) (1)(k)

National Objective: LMJ Low/Mod Jobs

Nat. Objective Citation: 570.208(a)(4) (i)

Est. Accomplishments: 1 Performance Indicator: Jobs

Activity Summary

The Economic Development Initiative (EDI) Grant will provide funds for the development of the Commerce Industrial Center DART Development project. The City of Commerce will grant these funds to Dedeaux Properties, LLC to be used for the acquisition of one of two buildings on the DART Entities, Inc. commercial complex. Section 108 loan funds will also be used to acquire this and a second building to complete this project. This project will serve as an economic development activity to create at least 340 new permanent jobs in the City of Commerce. At least 51% of the new jobs will be filled by people of low- or moderate-income.

Funds will be used for the acquisition of a paper goods manufacturing building.

Special Conditions

The Operating Agency shall maintain income documentation to insure that at least 51 percent of program beneficiaries are of low- and moderate-income.

The Operating Agency shall maintain during the term of this Contract and for a period of three (3) years thereafter complete and adequate financial records and accounts as are considered necessary by the Commission to assure proper accounting for all program funds and to

support all program expenditures. These records and accounts shall include, but not be limited to, the following: a General Ledger that supports the costs charged to the CDBG or ESG Program; records documenting procurement of goods and services; contracts for goods or services; lease or rental agreements; invoices; billing statements; cancelled checks; timecards signed by employees and supervisors; personnel authorization records; payroll registers; payroll tax records; and bank statements, bank reconciliations and documentation to support the allocation of indirect costs.

Funding Summary

Formula Grant Funding		Leverage Sources	
<u>Cost Category</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Non-Personnel	\$1,000,000	Other Federal	\$10,000,000
Total	\$1,000,000	Other Private	\$17,016,000
		Total	\$27,016,000

Name: DART Entities, Inc.
Address: 4000 Noakes St
City: CommerceZIP: 90023

Service Area

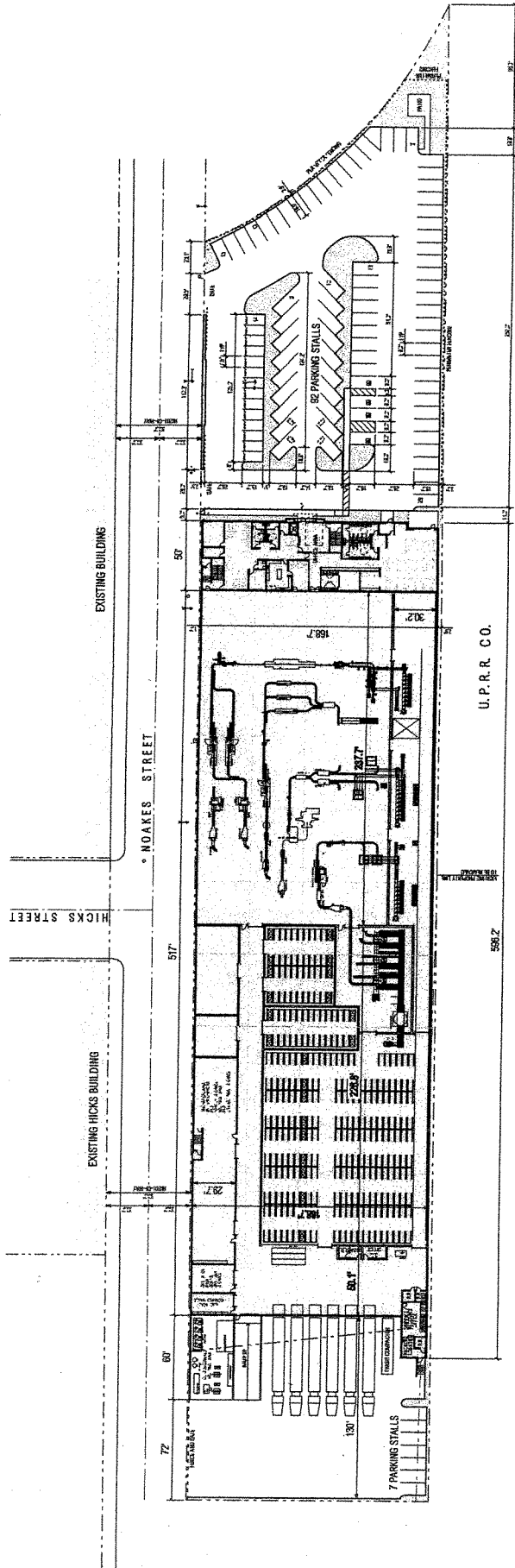
<u>Region</u>	<u>Population</u>	<u>Low/Mod Pop</u>	
Commerce	12,481	6,836	
Grand Total:	12,481	6,836	54.77% Low/Mod

EXHIBIT I

This is a detailed floor plan of the FBI Laboratory building. The plan shows a large central area labeled "FBI LABORATORY" and several smaller rooms labeled "FBI LABORATORY" and "FBI LABORATORY". The plan also shows a "FBI LABORATORY" and a "FBI LABORATORY". The plan is oriented with North at the top.

CONTESSA PREMIUM FOODS

SITE PLAN



PROJECT DATA	
LAND AREA	188,197 SF 3.52 AC
BUILDING AREA	88,154 SF
LOT COVERAGE	57.86 %



SITE PLAN

PLEDGE AND SECURITY AGREEMENT

This PLEDGE AND SECURITY AGREEMENT (“**Agreement**”) is dated as of _____, 2005, by the CITY OF COMMERCE, a California municipal corporation (“**City**”) in favor of the COUNTY OF LOS ANGELES, a public entity corporate and politic (“**COUNTY**”).

RECITALS

A. The City has prepared and submitted to the COUNTY a loan application for Ten Million Dollars (\$10,000,000.00) (“**COUNTY Loan**”) in funds made available to the COUNTY by the U.S. Department of Housing and Urban Development (“**HUD**”) pursuant to the Section 108 Loan Guarantee Program established under the Housing and Community Development Act of 1974, as amended. Concurrently with the execution and delivery of this Agreement, the COUNTY is extending the COUNTY Loan to the City pursuant to the terms of a Loan Agreement of even date herewith between the COUNTY and the City (“**COUNTY Loan Agreement**”). In addition to the COUNTY Loan Agreement, the COUNTY Loan is evidenced by a Promissory Note (“**COUNTY Promissory Note**”) and certain other loan documents executed in connection therewith. The COUNTY Loan Agreement, COUNTY Promissory Note, and certain other loan documents executed in connection therewith shall collectively be referred to as the “**COUNTY Loan Documents**”.

B. The City, in turn, is concurrently with the execution of this Agreement agreeing to lend the proceeds of the COUNTY Loan to Dedeaux Properties, LLC, a California limited liability company (“**Company**”), for the purpose of financing site acquisition of an existing 175,000 square foot building at 4209 Noakes Street and the acquisition of a new 102,000 square foot refrigerated food processing building 4000 Noakes Street in the City of Commerce and known as the Commerce Industrial Park – DART Development project. (The City's loan to the Company is referred to as the “**City Loan**.”)

C. The City Loan is evidenced by a Loan Agreement (“**City Loan Agreement**”), Promissory Note (“**City Promissory Note**”) and Covenants, Conditions and Restrictions (“**CC&R's**”), and the Commercial Guarantee Agreements provided by the developer (“**Commercial Guarantee Agreements**”), and secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (“**Deed of Trust**”), all of which, together with certain other documents executed in connection with the City Loan, are being assigned by the City to the COUNTY as security for the COUNTY Loan. (All of the foregoing documents are collectively referred to as the “**City Loan Documents**.”)

D. In order to induce the COUNTY to make the COUNTY Loan, the City desires to enter into this Agreement to grant a security interest in and pledge certain assets to the COUNTY as additional security for the COUNTY Loan.

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual promises, covenants and agreements set forth herein, the City hereby agrees with the COUNTY as follows:

1. Pledge and Grant of a Security Interest. As collateral security for the payment and performance in full when due by City of the Obligations (as defined in Section 2 below), the City hereby pledges and grants a security interest in, assigns and transfers to the COUNTY (and delivers to the COUNTY's "**Escrow Agent**," pursuant to the terms and conditions of that certain Escrow Agreement entered into between the COUNTY, the City and the Escrow Agent of even date herewith):

(i) The Deed of Trust (Exhibit E of the loan agreement) recorded against the Security Parcels and assigned to the COUNTY by the City pursuant to an Assignment of Deed of Trust and Other Loan Documents in the form of Exhibit G to the COUNTY Loan Agreement. The security interest granted to City pursuant to the Deed of Trust shall be an unsubordinated first priority lien on the Security Parcels and be executed by Borrower and recorded upon the Close of Escrow as set forth below; and

(ii) A One Million Dollar (\$1,000,000) irrevocable **standby Letter of Credit or Certificate of Deposit**, callable on demand following an "Event of Default" as defined in Section 15.1 below, or upon failure to renew or replace the letter of credit at least 30 days prior to expiration, from an A-rated issuer (or equivalent cash security) as further described in Section 6.3(j) below (the "Letter of Credit"). As described in Section 5 of the COUNTY Loan Agreement, City will pledge this as collateral for the Note when City assigns the Note to COUNTY pursuant to the COUNTY Loan Agreement.

(iii) The Commercial Guarantee Agreements executed by the guarantors in the amounts and under the conditions set forth in those guaranties.

2. Obligations Secured. This Agreement is made, and the pledge and grant of a security interest herein is given, to secure the City's payment and performance in full of all of the COUNTY Loan Documents (collectively, the "**Obligations**").

3. Covenants and Representations of City. The City hereby covenants, represents and agrees as follows:

(a) Covenants. Until the full and final satisfaction of all the Obligations, the City shall:

(i) Take all necessary steps to ensure that the Company pays promptly all amounts payable under the City Loan Documents as and when the same

shall be due and payable, whether at maturity, at a time fixed for payment, on a date of required prepayment, by acceleration or otherwise;

(ii) Prior to delinquency, pay any taxes, assessments and liens of any kind whatsoever levied or assessed against the Collateral or any part thereof;

(iii) Not sell, contract to sell, lease, contract to lease, encumber, transfer, hypothecate or permit or suffer any lien (other than the liens created hereby) or judgment or other judicial or involuntary lien against, or otherwise convey or dispose of, the Collateral or any part thereof, unless the City shall have obtained the prior express written consent of the COUNTY, which consent the COUNTY may or may not give in its sole and absolute discretion;

(iv) (A) Not withdraw or attempt to withdraw any of the funds from the Cash Collateral Account without the prior written consent of the COUNTY, which consent the COUNTY may or may not give in its sole and absolute discretion; (B) in the event the COUNTY elects to receive payments of Collateral hereunder, pay all expenses incurred by the COUNTY in connection therewith, including expenses of accounting, correspondence, collection efforts, reporting to account or contract debtors, filing, recording, record keeping and expenses incidental thereto; and (C) provide any service and do any other acts which may be necessary to keep the Collateral free and clear of all defenses, rights of off-set and counterclaims; and

(v) Replenish and make additional deposits into the Cash Collateral Account as and when required under the terms of this Agreement and/or the COUNTY Loan Agreement.

(b) Representations. The City represents and warrants that the City is the lawful owner of all other rights and interest in the Collateral, and that the Collateral is and shall be free of all claims and liens other than the ownership and security interest granted hereunder to the COUNTY, and that the City has the full right to assign, transfer and pledge the Collateral to the COUNTY. This Agreement and the delivery to the Escrow Agent, as the COUNTY's agent, of all funds to be deposited into the Cash Collateral Account creates a valid and perfected first security interest in the Collateral in favor of the COUNTY, securing the payment of the Obligations, and all filings and other actions necessary or desirable to perfect and protect such first security interest and transfer have been duly taken. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required (i) for the grant by the City of the security interest or transfer made hereby, (ii) for the execution, delivery or performance of this Agreement by the City, or (iii) for the perfection of or the exercise by the COUNTY of its rights and remedies hereunder.

4. COUNTY's Rights.

(a) Attorney-In-Fact. Subject to the rights of the City provided for in this Agreement, the City irrevocably appoints the COUNTY as the City's attorney-in-fact

with full authority in the place and stead of the City and in the name of the City, with full power of substitution, from time to time in the COUNTY's sole discretion, to take any action and to execute any instrument which the COUNTY may deem necessary or advisable, in its sole discretion, to accomplish the purposes of this Agreement, including, without limitation: (i) to liquidate any time deposit pledged to the COUNTY hereunder prior to its maturity date and apply the proceeds thereof to repayment of the Obligations, notwithstanding that such liquidation may give rise to penalties for early withdrawal of funds; (ii) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for monies due and to become due under or in respect of any of the Collateral; (iii) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection therewith; (iv) to file any claims or take any action or institute any proceedings which the COUNTY may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of COUNTY with respect to any of the Collateral; and (v) to exercise all rights, powers and remedies that the City would have, but for this Agreement, with respect to the Collateral. This appointment is coupled with an interest and is irrevocable. Notwithstanding the foregoing, the COUNTY shall have no duty, and shall not be liable for any failure, to realize upon the Collateral or for any failure to take any action whatsoever with regard to the Collateral. Nor shall the COUNTY assume any of the City's liabilities, obligations or responsibilities arising from the Loan or the Project.

(b) COUNTY May Perform. COUNTY, at any time, without notice to the City, and at the City's expense, either in its own name or in the name of its nominee, may, but shall not be obligated to, do and perform such acts as it may deem proper to preserve the Collateral and exercise such rights, powers and remedies with respect to the Collateral that an owner would possess.

(c) COUNTY's Duties. The rights and remedies of the COUNTY hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The COUNTY shall have no duty as to the Collateral or any portion thereof or to take any steps necessary to preserve rights against third parties or any other rights pertaining to the Collateral or any portion thereof whatsoever.

(d) Default. An “**Event of Default**” shall occur hereunder upon the occurrence of an “Event of Default” under either the COUNTY Loan Documents or the City Loan Documents.

(e) Rights of COUNTY Upon Default. Upon the occurrence and during the continuance of an Event of Default under this Agreement, or at any time thereafter, unless such Event of Default shall have been remedied to the COUNTY's satisfaction or waived in writing by the COUNTY, the COUNTY shall have all of the rights and remedies available to it under the COUNTY Loan Documents, including, without limitation, this Agreement, or accorded to a secured party by law or in equity, all of which rights and remedies shall, to the fullest extent permitted by law, be cumulative. Without limiting the generality of the foregoing, upon the occurrence of an Event of

Default, the COUNTY shall be entitled, at its option, and the City hereby authorizes the COUNTY to take, whatever actions may be necessary to realize upon the Collateral, including, without limitation, to withdraw any or all funds from the Cash Collateral Account and to apply the proceeds of the Cash Collateral Account to the costs and expenses of the COUNTY in enforcing its remedies (including recovering reasonable attorney's fees and legal expenses incurred by the COUNTY in any bankruptcy or judicial or non-judicial foreclosure proceeding, whether or not suit has been filed, or otherwise) and then to the payment of the Obligations and the indebtedness secured hereby. The City expressly authorizes such action by the COUNTY in advance of, and without regard to, any realization upon any other collateral securing any indebtedness of City to COUNTY (including, without limitation, the City's assignment to the COUNTY of the Deed of Trust and the other City Loan Documents, as described in Recital C), and hereby waives any right of subrogation or marshalling of such collateral for indebtedness of the City to the COUNTY. Any legal requirement of reasonable notice shall be satisfied if the COUNTY provides written notice to the City at least five (5) days prior to the event giving rise to the required notice.

5. COUNTY's Assignment. The COUNTY may assign or transfer the whole or any part of the Obligations secured hereby and may transfer the whole or any part of its interest in the Collateral. The transferee shall be vested with all rights and powers of the COUNTY hereunder with respect to said interest in the Collateral so transferred, and thereafter the COUNTY shall be fully discharged from all responsibility with respect thereto.

6. No Further Assignment by City. The City shall not pledge, assign, encumber, hypothecate or otherwise transfer all or any part of the Collateral or any of the City's rights, benefits, obligation or duties hereunder, and shall not withdraw any portion of the Collateral without the COUNTY's prior written consent, which consent may be withheld in the COUNTY's sole discretion. Any purported transfer or assignment by the City without such consent shall be void.

7. Indemnity. The City agrees to protect, defend, indemnify and hold the COUNTY, the Community Development Commission of the County of Los Angeles ("Commission"), and their officers, agents and employees harmless from and against any liabilities, expenses, costs, penalties and fees paid or incurred by the COUNTY or Commission in protecting and enforcing the COUNTY's rights and remedies hereunder, including, without limitation, recovering any attorney's fees and expenses and any penalties reasonably incurred that may arise by any realization upon the Collateral or in connection with bankruptcy, foreclosure or similar proceedings.

8. Further Acts and Assurances. The City, upon request of the COUNTY, agrees to do such further acts, and execute, acknowledge, endorse and deliver such further instruments and agreements, that the COUNTY may at any time and from time to time reasonably request in connection with the administration or enforcement of this Agreement, or related to the Collateral or any part thereof, or in order to further assure and confirm unto the COUNTY the rights, powers and remedies hereunder.

9. Waivers. The City unconditionally waives all of the following:

(i) Any right to require the COUNTY to proceed against the City or any other person at any time or to proceed against or exhaust any security held by the COUNTY at any time or to pursue any other remedy whatsoever at any time;

(ii) The defense of any statute of limitations affecting the liability of the City hereunder;

(iii) All presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Agreement;

(iv) Any defense arising by reason of any invalidity or unenforceability of any of the documents evidencing or securing any of the Obligations or any disability of the City; and

(v) Any defense based upon an election of remedies by the COUNTY.

10. Authorizations. The City authorizes the COUNTY, without affecting the City's liability hereunder, from time to time to:

(i) Take and hold security, other than the Collateral, for the payment of the Obligations secured hereby or any part thereof, and exchange, enforce, waive and release the Collateral or any part thereof or any such other security; and

(ii) Apply such Collateral or other security and direct the order or manner or sale thereof as the COUNTY in its discretion may determine.

11. Termination of Pledge. The Collateral shall forthwith be transferred and delivered to the City, and the COUNTY's rights hereunder shall be terminated, at such time as (a) the COUNTY (or its assignee) shall have received payment in full of all Obligations owing by the City to the COUNTY under the COUNTY Loan Documents, and all other evidences of indebtedness and other instruments, documents and security instruments delivered to COUNTY in connection with the Obligations (as they may be extended, modified or supplemented), and (b) the COUNTY shall have no further commitment to extend any loan or financial accommodation to the City with respect to the Obligations secured hereby. Any such delivery shall be without recourse upon or warranty by the COUNTY and at the expense of the City.

12. No Waiver. No forbearance, failure or delay on part of the COUNTY to exercise any right or remedy hereunder shall operate as a waiver thereof and no single or partial exercise by the COUNTY of any right of remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy. All rights, powers

and privileges of the COUNTY under this Agreement and the COUNTY Loan Documents shall be cumulative.

13. Notices. All notices hereunder shall be conclusively deemed to have been received and shall be effective on the day delivered (including delivery by commercial delivery services), or, if sent by registered mail, return receipt requested, then three (3) business days after mailing. All notices shall be addressed to the City or the COUNTY, as the case may be, as follows:

If to City: The City of Commerce
2535 Commerce Way
Commerce, CA 90040
Attn: City Administrator

with a copy to: The City of Commerce
2535 Commerce Way
Commerce, CA 90040
Attn: City Attorney

If to COUNTY: Community Development Commission
of the County of Los Angeles
2 Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director

With a copy to: Community Development Commission
of the County of Los Angeles
2 Coral Circle
Monterey Park, California 91755-7425
Attn: Comm. Development Block Grant Division

14. Amendments. The provisions of this Agreement may not be waived, altered, amended or repealed in whole or in part except by the express written consent of the COUNTY.

15. Severability. Each term, covenant, condition or provision of this Agreement shall be viewed as separate and distinct, and in the event that any such term, covenant, condition or provision shall be held to be invalid, the remaining provisions shall continue in full force and effect.

16. Successors and Assigns. The provisions of this Agreement shall be binding on and shall inure to the benefit of the parties to it and their respective heirs, legal representatives, successors and assigns, except as otherwise provided herein.

17. Survival of Representations and Warranties. The representations, warranties, covenants and agreements made herein shall survive the execution and

delivery of this Agreement and the execution and delivery of the COUNTY Loan Documents. All statements contained in any certificate delivered by or on behalf of the City pursuant hereto shall constitute representations and warranties hereunder.

18. Time of the Essence. Time is of the essence in the performance of the terms and provisions of this Agreement.

19. General Construction. As used in this Agreement, the masculine, feminine and neuter genders, and the plural and singular numbers shall be deemed to include the others in all cases where they would so apply. "Includes" and "including" are not limiting, and "or" is not exclusive. If more than one person has executed this Agreement as the City, the obligations of all such persons shall be joint and several.

20. Headings and Captions. The headings and captions used herein are solely for the purpose of reference only and are not to be considered as construing or interpreting the provisions of this Agreement.

21. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, except as required by mandatory provision of law and except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of California. Unless otherwise defined herein, terms used in Article 9 of the Uniform Commercial Code in the State of California are used herein as therein defined. The City consents to the personal jurisdiction of the appropriate state or federal court located in Los Angeles, California.

22. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, City has caused this Pledge and Security Agreement to be executed as of the date first above written.

CITY OF COMMERCE,
a California municipal corporation

By: _____
Thomas Sykes, City Administrator

Approved as to form:

Eduardo Olivo, City Attorney

COUNTY OF LOS ANGELES, a public
entity corporate and politic

By: _____
Executive Director, Community
Development Commission of the
County of Los Angeles

Approved as to form:
Raymond G. Fortner, Jr., County Counsel

By: _____
Deputy

ESCROW AGREEMENT

THIS ESCROW AGREEMENT ("Escrow Agreement") is made as of _____, 2005 by and between the CITY OF COMMERCE, a California municipal corporation, (the "City"), the COUNTY OF LOS ANGELES, a public body corporate and politic (the "County"), and U.S. Bank, N.A. (the "Escrow Agent").

The County has selected, and previously entered into an Agreement for Custodial Services with U.S. Bank, N.A., to serve as the County's Custodial Agent. The Escrow Agent shall, in addition to the terms and conditions of this Escrow Agreement, abide by the terms of the Agreement for Custodial Services, dated May 26, 2004, and the amended agreement dated May 26, 2005, (**"Agreement for Custodial Services"**) by and between the County and U.S. Bank, N.A., in its capacity as Custodial Agent, in relation to Sections 12, 13, 14, 15, 19, 24, 25, 26, 27, 28, 29, 30, 32 and 33 of the Agreement for Custodial Services, incorporated into this Escrow Agreement by this reference.

The City and the County have entered into that certain Loan Agreement dated as of _____, 2005 (the "County Loan Agreement"). The County Loan Agreement contemplates that the City will borrow from the County Ten Million Dollars (\$10,000,000) ("Section 108 Loan") under the U.S. Department of Housing and Urban Development's ("HUD") Section 108 Loan Guarantee Program. The City, in turn, has entered into a Loan Agreement ("City Loan Agreement") with Dedeaux Properties, LLC (the "Developer"), under which the City is to lend the proceeds of the Section 108 Loan to the Developer for site acquisition associated with the Commerce Industrial Park DART Development Project in Commerce, California (the "Project"). The City has assigned to the County the City's rights to collect all sums due from the Developer under the City Loan Agreement (including, without limitation, the City's right to proceed against parcels of real property in the vicinity of the Project pursuant to a Deed of Trust, Assignment of Rents, County Loan Agreement and Fixture Filing granted to the City by the Developer).

The County Loan Agreement further contemplates that the City will provide additional security for the Section 108 Loan to be held in an escrow account ("Escrow Account") to be opened with the Escrow Agent, which security shall be as follows: treasury securities or other permitted investments under the City's investment policies (other than cash) initially in the amount of XXX XXX Million Dollars (\$X,000,000) ("Cash Deposit"), as funded by the City's General Fund Contingency Reserves (the "Initial Escrow Deposit") (which funds the City has authorized the County to retain and apply to the "Obligations," as defined herein). (All funds contained in the Escrow Account, as further described in Section 2 of this Agreement, including, without limitation, the Cash Deposit, the Initial Escrow Deposit, any additional deposits into the Escrow Account, as may be required under the County Loan Agreement, and all interest on the foregoing, shall collectively be referred to as the **"Escrow Fund."**) The Escrow Fund shall be administered only as set forth herein, and the parties hereto acknowledge that the Escrow Fund may only be used to make payments on the Section 108 Loan in accordance with the County Loan Agreement.

The obligations and duties of the Escrow Agent shall be determined exclusively by this Escrow Agreement and the Escrow Agent shall possess no rights, obligations or duties pursuant to the County Loan Agreement between the City and the County.

The parties desire to set forth the terms on which the Escrow Fund is to be created and to establish the rights and responsibilities of the parties hereto.

Except as otherwise expressly provided herein, all capitalized terms in this Escrow Agreement shall have the meanings set forth in the County Loan Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein, the parties agree as follows:

1. The City hereby elects and agrees to deposit or cause to be deposited with the Escrow Agent into the Escrow Account, established pursuant hereto, the Cash Deposit, the Initial Escrow Deposit together with any additional amounts which may be required to be so deposited under the Loan Documents, all for the purpose of satisfying the City's obligations therein. All deposits shall be accompanied with written instructions stating that the funds shall be deposited into the Escrow Fund established pursuant to this Escrow Agreement.

2. Upon receipt of a requisition executed by the County, the Escrow Agent shall disburse funds from the Escrow Fund to the County to make payments on the Section 108 Loan as required by HUD. Upon receipt of written instructions from the County only, the Escrow Agent shall transfer funds deposited by the City in the Los Angeles County Community Development Commission Guaranteed Loan Funds Repayment Account No. 110237-012 to the Escrow Account.

3. The Escrow Fund is hereby established, which is a special fund to be held in trust for the exclusive benefit of County, and its assigns, and is to be known as the "City of Commerce Section 108 Loan Escrow Fund." The City acknowledges that the County shall be deemed to be in "possession" of the Escrow Fund and that the County has a perfected security interest to the Escrow Fund. Any amounts on deposit in the Escrow Fund shall be invested and administered as set forth herein.

4. The Escrow Agent hereby agrees to serve as escrow agent upon the terms and conditions set forth herein. The Escrow Agent agrees that the Escrow Fund shall be held in trust for the account and benefit of the County. Except as specifically provided otherwise in this Escrow Agreement, the City has given the County complete control over the Escrow Fund. The County shall assign such rights to HUD, as evidenced by the Assignment and Pledge Agreement between the County and HUD. All interest earned with respect to the Escrow Fund shall accrue to the benefit of the City and shall be applied as expressly set forth herein. Finally, notwithstanding the use of the term "Escrow Agent" in this Agreement, the Escrow Agent, in the performance of its duties hereunder, shall be deemed to be the agent of the County and not of the City.

At least 48 hours prior to the time COUNTY draws down funds from HUD (the "Deposit Date"), the City shall transmit to the Escrow Agent in immediately available funds the Cash Deposit, the Initial Escrow Deposit to be deposited into the Escrow Account and used by the

Escrow Agent immediately to purchase U.S. Treasury notes, bonds and/or bills, as well as any investment pursuant to the City's investment policies (other than cash), for deposit into the Escrow Account. Such purchase (and any future purchase with additional amounts deposited in the Escrow Fund) shall be made in accordance with the written instructions of the City or the County (Exhibit 1).

On the Deposit Date, the Escrow Agent agrees to accept the Cash Deposit, the Initial Escrow Deposit by the City and any additional deposits made, and further agrees to hold the securities so deposited, together with all interest and other additions received with respect thereto, as the Escrow Fund hereunder, in escrow on the express terms and conditions set forth herein. The Escrow Agent shall follow the written instructions of the County as to deposits and disbursements from the Escrow Fund upon receipt thereof.

5. The Escrow Agent shall at all times segregate the Escrow Fund into the Escrow Account which is being maintained for that express purpose, and which account shall be clearly identified on the books and records of the Escrow Agent as being held in its capacity as the Escrow Agent. Securities and other negotiable instruments, if any, comprising all or any portion of the Escrow Funds from time to time shall be held or, if registerable, registered in the name of the Escrow Agent (or its nominee). The Escrow Fund shall not, to the extent permitted by applicable law, be subject to levy or attachment or lien by or for the benefit of any creditor of any of the parties hereto.

6. Should there be an event of default on the City's part with respect to the Section 108 Loan which results in acceleration of the Section 108 Loan, County shall provide a written requisition to the Escrow Agent (with a copy to the City) informing the Escrow Agent of the event of default giving rise to acceleration and requesting that the Escrow Agent deliver by wire transfer or otherwise to County or its assignee up to the entire amount on deposit in the Escrow Fund. Any moneys left in the Escrow Fund after the County has given the Escrow Agent written notice that all payments on the Section 108 Loan have been made in full shall be transferred to the City upon written notice from the County that the Section 108 Loan has been paid in full at which time the Escrow Fund shall be closed.

7. (a) The cash comprising all or any portion of the Escrow Fund from time to time shall be invested and reinvested by the Escrow Agent in Treasury securities or other permitted investments and in accordance with the written investment directions of the City, which directions shall be set forth in a letter in the form attached hereto as Exhibit 1. The City hereby covenants that any such investment shall be in compliance with the investment policies of the City. At least ten (10) calendar days prior to each August 1, November 1, February 1 and May 1, sufficient funds shall be invested by Escrow Agent in short-term liquid investments to provide funds available to make quarterly or semi-annual payments on the Section 108 Loan.

(b) The Escrow Agent will use due diligence to collect all instruments for the payment of money comprising the Escrow Fund and shall promptly notify the County and the City in the event of dishonor. All interest or other amounts earned and received by the Escrow Agent with respect to the Escrow Fund shall be deposited in and comprise a part of the Escrow Fund.

8. The Escrow Agent shall send monthly statements of account to the City and County, which statements shall set forth all deposits to, withdrawals from and interest earnings on the Escrow Fund as well as the investments in which the Escrow Fund is invested. Such statements shall be sent regardless of whether they are actually requested by the City or the County. The Escrow Agent shall keep for a period of five (5) years after the Section 108 Loan has been paid in full, complete and accurate books, documents, papers and records pertinent to this Escrow Agreement, including such books, documents, papers and records of all moneys received and disbursed under this Escrow Agreement, which shall be available for inspection by the City, the County, HUD, the Comptroller General of the United States or any of their respective duly authorized representatives, or the agent of any of them, at any time during regular business hours.

9. The City hereby agrees to pay the reasonable fees and expenses of the Escrow Agent for County fiscal years 2005-2006 through 2026 incurred in connection herewith in an amount and in terms as further outlined in the attached Exhibit 2. The Escrow Agent shall submit invoices to the City indicating the task and per unit cost(s) associated with approved duties, pursuant to Exhibit 2 and as discussed herein. The Escrow Agent shall maintain source documentation of all costs charged for monitoring purposes. Maximum compensation under this contract shall not exceed Five Thousand Dollars (\$5,000) per year.

10. The Escrow Agent and the City hereby acknowledge that this Escrow Agreement shall be administered for the County by the Community Development Commission of the County of Los Angeles ("CDC"), and Escrow Agent shall accept instructions from the CDC on behalf of the County in all respects as if given directly by the County. The Escrow Agent shall have no liability for acting upon any written instruction presented by the County or CDC in connection with this Escrow Agreement which the Escrow Agent in good faith believes to be genuine and to have been approved or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Escrow Agreement, and the Escrow Agent shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. Furthermore, the Escrow Agent, its directors, officers or employees shall not be liable for any act or omission in connection with this Escrow Agreement except for their own negligence, willful misconduct or bad faith. The Escrow Agent may consult with legal counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by Escrow Agent hereunder in good faith in accordance therewith. The Escrow Agent shall not be liable for any loss or diminution in value of the Escrow Fund as a result of the investments made by the Escrow Agent in accordance with written instructions presented to it in accordance with the terms hereof. The recitals of facts, covenants and agreements herein and contained in the County Loan Agreement shall be taken as statements, covenants and agreements of the City and the County, and the Escrow Agent neither assumes any responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Escrow Agreement or of the County Loan Agreement, nor shall Escrow Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations herein imposed upon the Escrow Agent. The Escrow Agent will be responsible only for the performance of its duties as specified in this Escrow Agreement. The County and the City hereby release the Escrow Agent from any and all claims, losses, damages or liabilities now existing, or hereafter arising from, or in connection with this Escrow Agreement or the services to

be performed by the Escrow Agent in connection herewith, except for any claims, losses, damages or liabilities that are directly caused by negligence, willful misconduct or bad faith of the Escrow Agent. The parties hereto agree that the release provided in this Section 10 shall survive the termination of the Escrow Agreement and shall remain in full force and effect until any and all applicable laches periods or statutes of limitations have expired.

11. To the extent permitted by applicable law, the County and the City jointly agree to indemnify and hold the Escrow Agent and its directors, officers or employees harmless from and against all claims, suits and actions brought against it, or to which any of them are made a party, and from all losses and damages, including, without limitation, reasonable attorneys fees and court costs suffered by any of them as a result thereof, where such claim, suit or action arises in connection with the Escrow Agent acting solely upon written instructions from the County or the City pursuant to this Escrow Agreement, the transactions described herein and in the County Loan Agreement or the Escrow Agent's employment as an escrow agent by the County. Notwithstanding the foregoing, such indemnification shall not extend to claims, suits and actions brought against the Escrow Agent for claims, losses, damages or liabilities that are directly caused by the negligence, willful misconduct or bad faith of the Escrow Agent or failure to perform and carry out the duties specifically imposed upon and to be performed by it pursuant to this Escrow Agreement.

12. The Escrow Agent or any successor to the Escrow Agent may resign at any time by giving thirty (30) days' prior written notice to the City and the County. The County may at any time, or for any reason, without prior written consent which will not be unreasonably withheld, remove the Escrow Agent as the Escrow Agent under this Escrow Agreement upon thirty (30) days' written notice. Such resignation or removal shall not be effective until the County shall have appointed a successor to the Escrow Agent. Upon the effective date of resignation or removal, the Escrow Agent will transfer the Escrow Fund to the successor escrow agent selected by the County. Any successor thereto must have capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) and be subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to statute or the requirements of any federal or state supervising or examining authority, then for the purposes of this Section 12, the combined capital and surplus of such bank or trust company may be conclusively established for the purposes hereby in its most recent report of condition so published. If no successor shall have been appointed as of the effective date of the resignation of the Escrow Agent as set forth above, all of the Escrow Agent's obligations hereunder shall be terminated, except that it shall hold sums then remaining in the Escrow Fund as a mere bailee pending (a) the Escrow Agent's receipt of the County's instruction to transfer same to a successor escrow agent or (b) the Escrow Agent's receipt of an order of a court of competent jurisdiction directing transfer of same. If no successor escrow agent is appointed within ninety (90) days after the resignation of the Escrow Agent, the Escrow Agent may petition a court of competent jurisdiction for appointment of a successor.

13. The County may, by written notice to the Escrow Agent, immediately terminate the right of Escrow Agent to proceed under this Escrow Agreement if it is found that consideration, in any form, was offered or given by the Escrow Agent, either directly or through an intermediary, to any County officer, employee or agent with the intent of securing this Escrow Agreement or securing favorable treatment with respect to the award, amendment or extension of this Escrow

Agreement or the making of any determinations with respect to the Escrow Agent's performance pursuant to this Escrow Agreement. In the event of such termination, the County shall be entitled to pursue the same remedies against the Escrow Agent as it could pursue in the event of default by the Escrow Agent.

14. Any company into which the Escrow Agent may be merged or converted, or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business (provided that such company shall be eligible under Section 12) shall be the successor to the Escrow Agent without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

15. In the event of the failure by any party hereto to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Escrow Agreement, any non-defaulting party hereto shall have all of the rights and remedies now or hereafter existing at law or in equity against the defaulting party. No delay or omission to exercise any such right or power accruing upon any default shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In case an event of default has occurred and is continuing, the Escrow Agent shall exercise such of the rights and powers vested in it by this Escrow Agreement and use the same degree of skill and care in its exercise as a prudent person would exercise or use under the circumstances in the conduct of its own affairs.

16. This Escrow Agreement and the escrow established hereunder, except for the final monthly statement of account, shall terminate upon receipt by the Escrow Agent of the written notice from the County that the Section 108 Loan has been repaid in full, and any moneys remaining in the Escrow Fund shall be disbursed pursuant to Section 6 herein.

17. In the event of any dispute in respect of the disbursement of all or any portion of the Escrow Fund, or if any disagreements arise among the parties hereto in respect of the interpretation of this Escrow Agreement, or concerning their rights and obligations hereunder, or the propriety of any action contemplated by the Escrow Agent hereunder, or if the Escrow Agent in good faith is in doubt as to what action should be taken hereunder, the Escrow Agent will not be obligated to resolve the dispute or disagreement or to make any disbursement of all or any portion of the Escrow Fund, but may commence an action in the nature of an interpleader and seek to deposit such funds in a court of competent jurisdiction, and thereby shall be discharged from any further duty or obligation with respect to the Escrow Fund. The Escrow Agent, in its sole discretion, may elect in lieu of filing such action in interpleader to cease to perform under this Escrow Agreement and all instructions received in connection herewith until the Escrow Agent has received a written notice of resolution of such dispute or disagreement signed by the parties to such dispute or disagreement.

18. The Escrow Agent acknowledges that the County has established a goal of ensuring that all individuals who benefit financially from the County through contract are in compliance with their court-ordered child, family and spousal obligations in order to mitigate the economic burden otherwise imposed upon the County and its taxpayers.

As required by County's Child Support Compliance Program (County Code Chapter 2.200) and without limiting the Escrow Agent's duty under this Escrow Agreement to comply with all applicable provisions of law, the Escrow Agent warrants that it is now in compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC section 653a) and California Unemployment Insurance Code section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or District Attorney Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code of Civil Procedures section 706.031 and Family Code section 5246(b).

19. Failure of the Escrow Agent to maintain compliance with the requirements set forth in Section 18 herein shall constitute a default by the Escrow Agent under this Escrow Agreement. Without limiting the rights and remedies available to Escrow Agent under any other provision of this Escrow Agreement, failure to cure such default within ninety (90) days of notice by the Los Angeles County District Attorney shall be grounds upon which the Executive Director of the Community Development Commission may terminate this Escrow Agreement.

20. The Escrow Agent acknowledges that County places a high priority on the enforcement of child support laws and the apprehension of child support evaders. The Escrow Agent understands that it is County's policy to encourage all County contractors to voluntarily post County's "L.A.'s Most Wanted: Delinquent Parents" poster in a prominent position at the Escrow Agent's place of business. District Attorney will supply the Escrow Agent with the poster to be used.

21. The County or its agent will evaluate Escrow Agent's performance under this Escrow Agreement on not less than an annual basis. Such evaluation will include assessing Escrow Agent's compliance with all contract terms and performance standards. Escrow Agent deficiencies which County determines are severe or continuing and that may place performance of this Escrow Agreement in jeopardy if not corrected will be reported to the Board of Commissioners. The report will include improvement/corrective action measures to be taken by the County and Escrow Agent. If improvement does not occur consistent with the corrective action measures, County may terminate this Escrow Agreement or seek other remedies as specified in this Escrow Agreement.

22. All notices, certificates or other communications hereunder shall be in writing and shall be deemed to have been properly given on the earlier of (a) when delivered in person; (b) the third (3rd) business day following deposit in the United States mail, with adequate postage, and sent by registered or certified mail, with return receipt requested to the appropriate party at the address set forth below; (c) the first (1st) business day following deposit with Federal Express, Express Mail or other overnight delivery service for next day delivery, addressed to the appropriate party at the address set forth below; or (d) the first (1st) business day following transmission by facsimile, with a confirmation copy sent by regular United States mail, postage prepaid, sent to the appropriate party at the address set forth below:

Community Development Commission
County of Los Angeles
Attention: Terry Gonzalez, Director, CDBG Division

2 Coral Circle
Monterey Park, California 91755
(Tel) 323-890-7168
(Fax) 323-890-8595

City of Commerce
Finance Director
2535 Commerce Way
Commerce, CA 90040
(Tel)
(Fax)

U.S. Bank, N.A.
Corporate Trust Department
633 West 5th Street, 24th Floor
Los Angeles, California 90071
(Tel) 213-615-6016
(Fax) 213-615-6198

23. Each party shall be responsible for providing each other party with appropriate wire instructions as needed.

24. This Escrow Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns. No rights or obligations of the Escrow Agent under this Escrow Agreement may be assigned without the prior written consent of the City and the County.

25. Notwithstanding any other provision of this Escrow Agreement, Escrow Agent shall repay to the City any money held by the Escrow Agent hereunder in trust remaining unclaimed for thirty (30) days after the Escrow Agent is notified by the County that principal and interest of all of the Section 108 Loan shall have been paid in full. Notwithstanding the foregoing, the Escrow Agent shall, upon the written request of the County, repay such money to the City at any time earlier than thirty (30) days if failure to repay such money to the City within such earlier period shall give rise to the operations of any escheat statute under applicable law.

26. Nothing in this Escrow Agreement, expressed or implied, is intended or shall be construed to give any person other than the City, the County, HUD and the Escrow Agent any legal or equitable right, remedy or claim under or in respect of this Escrow Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the City, the County, HUD and the Escrow Agent.

27. This Escrow Agreement shall be governed by and construed in accordance with federal, California and local laws. This Escrow Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and no waiver, consent, modification or change of terms hereof shall bind any party unless in writing signed by all parties. The City and the County represent and warrant that each of them, respectively, has full power and

authority to execute, deliver and perform each of their obligations, respectively, under this Escrow Agreement and that this Escrow Agreement has been duly authorized, executed and delivered and is a legal, valid and binding obligation of each of them respectively, enforceable in accordance with its terms. Any provision of this Escrow Agreement found by a court of competent jurisdiction to be prohibited by law shall be ineffective only to the extent of such prohibition and shall not invalidate the remainder of this Escrow Agreement. This Escrow Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

27. The Escrow Agent shall keep confidential all reports, information and data received, prepared or assembled pursuant to performance hereunder. Such information shall not be made available to any person, firm, corporation or entity other than bank regulators without the prior written consent of the City and the County.

IN WITNESS WHEREOF, the parties have caused this Escrow Agreement to be duly executed under seal as of the day and year first above set forth.

COUNTY OF LOS ANGELES

APPROVED AS TO FORM:

OFFICE OF THE COUNTY COUNSEL

By: _____
Carlos Jackson, Executive Director
Community Development Commission
of the County of Los Angeles

By: _____
Deputy

CITY OF COMMERCE

APPROVED AS TO FORM:

By: _____
Thomas Sykes, City Administrator

By: _____
Eduardo Oliva, City Attorney

U.S. BANK, N.A.

Name: _____
By: Mark Petrasso
Title: Assistant Vice-President

EXHIBIT 1

Investment Direction Letter of the City of Commerce

Date:

Subject: Escrow Agreement dated as of _____, 2005, by and between the City of Commerce, the County of Los Angeles, and U.S. Bank, N.A.

Dear _____:

Pursuant to the above-referenced Escrow Agreement, \$_____ will be delivered to you on or about _____, 2005. Such funds should be invested in the following:

Amount	Nature of Investment/Instrument	Maturity
\$ _____	_____	_____

The foregoing investment directions may be changed by subsequent investment direction letters executed by the City and the County.

Sincerely,

CITY OF COMMERCE

By: _____

EXHIBIT 2
COST PROPOSAL

Set forth below, are the Escrow Agent's reasonable fees for acting as the Escrow Agent:

Acceptance Fee: **\$1,500**

This one-time charge, payable upon funding of the City's Section 108 Loan, includes acceptance of responsibilities and duties as Escrow Agent, review of the Escrow Agreement and supporting documents, liaison with officials representing the City, County and HUD, as well as respective counsel.

Annual Escrow Agent Fee: **\$1,500**

Payable upon funding of the City's Section 108 Loan, and annually thereafter, if applicable. This fee compensates the Escrow Agent for Administrative duties in accordance with this Escrow Agreement.

Outside Legal Counsel- Billed at Cost: **\$1,500 (Capped)**

Investment Fees Per Transaction (buy or sell):

Book-Entry Delivery \$ 65.00
Physical Delivery \$100.00
Competitive Bid
(three brokers) \$ 25.00 per bid process

Extraordinary Services (as requested) - Billed at Cost:

Such as manually created spreadsheets, reports or certificates required under the Escrow Agreement, and any other extraordinary requests not covered by the annual administration fee.

Out of Pocket Expenses: **Billed at Cost**

Necessary miscellaneous expenses to effectively service the Escrow Account on a day-to-day basis. These costs shall only be charged for expenses that can be directly identified as costs associated with the Escrow Account which is the subject of this Agreement, such as wire transfers at \$20.00 each, excessive facsimiles, postage and travel costs to attend meetings.

The Escrow Agent agrees that total annual compensation under this Escrow Agreement **shall not exceed \$5,000 per year**, unless this Agreement is amended by all parties in writing, and that the Escrow Agent shall maintain source financial documentation to support all costs charged to the City, pursuant to this Agreement, for monitoring purposes.

DEBTOR: Dedeaux Properties, LLC

EXHIBIT "A"
TO
UCC-1 FINANCING STATEMENT

Collateral Description

This Exhibit "A" is an attachment to the UCC-1 Financing Statement filed by THE CITY OF COMMERCE, a California municipal corporation ("**Secured Party**") with respect to DEDEAUX PROPERTIES, LLC, a California limited liability company ("**Debtor**") on or about _____, 2005.

1. All development rights, air rights, water, water rights, and water stock relating to the Property (as defined in Exhibit "B" (attached hereto)).
2. All present and future structures, buildings, improvements, appurtenances and fixtures of any kind on the Property, including but not limited to all apparatus, attached equipment and appliances used in connection with the operation or occupancy of the Property, such as heating and air-conditioning systems and facilities used to provide any utility services, ventilation, vehicular cleaning, storage or other services on the Property, and all signage, carpeting and floor coverings, partitions, generators, screens, awnings, boilers, furnaces, pipes, plumbing, vacuum systems, brushes, blowers, cleaning, call and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, and gas and electric machinery and equipment, it being intended and agreed that all such items will be conclusively considered to be a part of the Property conveyed by this Deed of Trust, whether or not attached or affixed to the Property.
3. All appurtenances of the Property and all rights of Debtor in and to any streets, roads or public places, easements or rights of way, relating to the Property.
4. All of the rents, royalties, profits and income related to the Property, to the extent not prohibited by any applicable law.
5. All proceeds and claims arising on account of any damage to or taking of the Property and all causes of action and recoveries for any loss or diminution in value of the Property.
6. All existing and future goods, inventory, equipment and all other personal property of any nature whatsoever now or hereafter located on the Property which are now or in the future owned by Debtor and used in the operation or occupancy of the Property or in any construction on the Property but

which are not effectively made real property under Clause 2 above, including but not limited to all appliances, furniture and furnishings, building service equipment, and building materials, supplies, equipment, machinery, plumbing and plumbing material and supplies, concrete, lumber, hardware, electrical wiring and electrical material and supplies, roofing material and supplies, doors, paint, drywall, insulation, cabinets, ceramic material and supplies, flooring, attached appliances, fencing, landscaping and all other materials, supplies and property of every kind and nature.

7. All present and future accounts, general intangibles, chattel paper, contract rights, deposit accounts, instruments and documents as those terms are defined in the California Uniform Commercial Code, now or hereafter relating or arising with respect to the Property and/or the use thereof or any improvements thereto, including without limitation: (i) all rights to the payment of money, including escrow proceeds arising out of the sale or other disposition of all or any portion of the estate of Debtor upon the Property now or hereafter existing thereon; (ii) all plans, specifications and drawings relating to the development of the Property and/or any construction thereon; (iii) all use permits, licenses, occupancy permits, construction and building permits, and all other permits and approvals required by any governmental or quasi-governmental authority in connection with the development, construction, use, occupancy or operation of the Property; (iv) any and all agreements relating to the development, construction, use, occupancy and/or operation of the Property between Debtor and any contractor, subcontractor, project manager or supervisor, architect, engineer, laborer or supplier of materials; (v) all lease or rental agreements; (vi) all trademarks relating to the Property and/or the development, construction, use, occupancy or operation thereof; (vii) all goodwill relating to the Property and/or the development, construction, use, occupancy or operation thereof; (viii) all reserves, deferred payments, deposits, refunds, cost savings, bonds, insurance policies and payments of any kind relating to the Property; (ix) all loan commitments issued to Debtor in connection with any sale or financing of the Property; (x) all funds deposited with Secured Party by Debtor, and all accounts of Debtor with Secured Party, including all accounts containing security deposits and prepaid rents paid to Debtor in connection with any leases of the Property, and all proceeds thereof; and (xi) all supplements, modifications and amendments to the foregoing.

8. All of the right, title and interest of Debtor in and to all sales contracts of any nature whatsoever now or hereafter executed covering any portion of the Property, together with all deposits or other payments made in connection therewith.

9. All of the right, title and interest of Debtor in and to any construction contracts, plans and specifications, building permits, and all other documents necessary for completion of the improvements to the construction of the Property.

10. All water stock relating to the Property, all shares of stock or other evidence of ownership of any part of the Property that is owned by Debtor in common with others, and all documents of membership in any owner's or members' association or similar group having responsibility for managing or operating any part of the Property.

DEBTOR: Dedeaux Properties, LLC

**EXHIBIT “B”
TO
UCC-1 FINANCING STATEMENT**

Legal Description of Property

This Exhibit “B” is an attachment to the UCC-1 Financing Statement filed by THE CITY OF COMMERCE, a California municipal corporation (“**Secured Party**”) with respect to DEDEAUX PROPERTIES, LLC, a California limited liability company (“**Debtor**”) on or about _____, 2005.

The “Property” described in Exhibit “A” is the following:

Parcels __ & __ of Parcel Map No. _____, in the City of Commerce, County of Los Angeles, State of California, as per map filed in Book _____ Pages __ to __ inclusive of Parcel Maps, in the Office of the County Recorder of said county.

LOAN AGREEMENT

by and between the

CITY OF COMMERCE

a California municipal corporation

and

DEDEAUX PROPERTIES, LLC,

a California limited liability company

for a Section 108 loan in the initial principal amount of

\$ 10,000,000

_____, 2005

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TRANSACTION SUMMARY

Project Name: Commerce Industrial Center DART Development Project

Borrower Name: Dedeaux Properties, LLC

☐ Limited Partnership ☒ Limited Liability Company ☐ Nonprofit Public Benefit Corporation

Loan Amount: \$ 10,000,000 Interest Rate: LIBOR + 20 basis points (or such higher rate as may be imposed by HUD) for interim financing period, then actual bond interest rate (6.0% projected) once permanent financing is available (10% default).

Amortization: interest only, payable quarterly during interim financing period; then semi-annual interest payments for the first two (2) years during the permanent financing period; then semi-annual principal and interest payments (level amortization) for the remaining 18 years of the 20-year term.

Repayment term: 20 years.

Project Type: improvements to the Commerce Industrial Center DART Development Project.

Use of Loan Proceeds: ☒ Land Acquisition ☐ Predevelopment ☐ Construction
(the net proceeds of the loan will be loaned by the City to Dedeaux Properties, LLC for use in paying for property acquisition and other uses permitted under Section 8 below)

Other Project Financing Sources / Priority Relative to This Loan:

- (1) developer equity ☐ senior ☒ junior ☐ parity/NA
- (2) other financing, if any, permitted by this agreement ☐ senior ☒ junior ☐ parity/NA
- (3) federal EDI grants ☐ senior ☐ junior ☒ parity/NA
- (4) _____ ☐ senior ☐ junior ☐ parity/NA

The foregoing Transaction Summary is provided for the convenience of the parties. In case of any conflict, the detailed terms below and/or in the attachments to this Loan Agreement shall control.

LOAN AGREEMENT

(Section 108 - Commerce Industrial Center DART Development Project)

THIS LOAN AGREEMENT ("Agreement") is made as of the ____ day of ____, 2005, by and between the CITY OF COMMERCE, a California municipal corporation ("City"), and DEDEAUX PROPERTIES, LLC, a California limited liability company ("Borrower"). City and Borrower are sometimes referred to collectively herein as the "Parties" and each individually as a "Party".

RECITALS

A. WHEREAS, Borrower desires to borrow the principal amount of **Ten Million Dollars (\$ 10,000,000)** (the "Loan") from City for uses permitted by Section 8 below, including but not limited to providing a loan to Dedeaux Properties, LLC, a California limited liability company ("Developer") for uses permitted by Section 8 below, including but not limited to acquiring an existing 175,000 square foot building at 4209 Noakes Street and the acquisition of a new 82,000 square foot refrigerated food processing building at 4000 Noakes Street in the City of Commerce. City's source of funding for the Loan is a loan ("COUNTY Loan") to the City from the County of Los Angeles ("COUNTY"), which in turn is obtaining financing ("HUD Loan") through the United States Department of Housing and Urban Development ("HUD") pursuant to HUD's Section 108 loan guaranty program as further described in the Loan Agreement for the COUNTY Loan. In order to meet HUD's National Objectives associated with the Section 108 program, the Project will be required to provide employment opportunities to low- and moderate-income residents of surrounding distressed areas as more particularly described below in this Agreement. The Project will be developed on a site ("Development Site") legally described on Exhibit "B" to this Agreement. A detailed Project description is attached hereto as Exhibit G, and reduced site plans for the Project are attached as Exhibit H.

B. WHEREAS, other sources of financing for the Project are anticipated to include the financing sources listed in the Transaction Summary above ("Other Financing"). The Loan will be secured by a first trust deed recorded against property (the "Security Parcels") owned by Borrower in the vicinity of the Development Site and legally described on Exhibit C to this Agreement, which deed of trust, in addition to this Agreement and the CC&Rs, shall be made in favor of City and assigned by City to COUNTY and by COUNTY to HUD. As more particularly provided in the loan agreement entered into concurrently by City and COUNTY ("COUNTY Loan Agreement"), a copy of which has been reviewed by Borrower, the COUNTY Loan will also be secured by a \$1,000,000 **irrevocable standby letter of credit from an A-rated issuer** (or equivalent cash security) as described below.

C. WHEREAS, as more particularly provided below, Borrower will, among other items, both deliver to City the "Deed of Trust" and the "CC&Rs" and other "Loan Documents" (as those terms are defined below) to secure repayment of the Loan as provided herein and to ensure that the Project is completed and provides employment opportunities and other community benefits in accordance with the terms of those instruments and this Agreement.

D. WHEREAS, City desires to make the Loan to Borrower, on the terms and conditions set forth herein.

NOW, THEREFORE, the Parties agree as follows:

A G R E E M E N T

1.0 CITY LOAN

City agrees, subject to the terms and conditions of this Agreement and in consideration of the representations, covenants and obligations of Borrower contained in this Agreement, to make the Loan to Borrower, to be used solely for the purposes described herein.

2.0 PROMISSORY NOTE; LOAN REPAYMENT

2.1 Note

As one of the conditions to disbursement of the Loan to Borrower under Section 6 below, Borrower shall execute a Promissory Note (the "Note") in the form of Exhibit D attached hereto or as otherwise required by HUD, which Note sets forth terms and conditions for the repayment of the Loan. The Note shall be secured by (i) the Deed of Trust (Exhibit E) both properties provided by the Developer to be executed by Borrower and recorded upon the Close of Escrow as set forth below; and (ii) a One Million Dollar (\$1,000,000) **irrevocable standby letter of credit**, callable on demand following an "Event of Default" as defined in Section 15.1 below, **or upon failure to renew or replace the letter of credit at least 30 days prior to expiration, from an A-rated issuer** (or equivalent cash security) as further described in Section 6.3(j) below (the "**Letter of Credit**"). As described in Section 5 of the COUNTY Loan Agreement, City will pledge this as collateral for the Note when City assigns the Note to COUNTY pursuant to the COUNTY Loan Agreement.

2.1 Interest

The COUNTY Loan Agreement which provides the City's source of funding for the Loan contemplates that the COUNTY will initially use proceeds of an interim financing facility to fund the COUNTY Loan, and will subsequently replace (as an accounting matter) the interim funds with proceeds of a public offering by HUD. Accordingly, consistent with the COUNTY Loan Agreement, the disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which Loan proceeds are first disbursed for the account of Borrower and continuing through the period of the interim financing at a rate per annum equal to the London InterBank Offered Rate (LIBOR – 3 month) on the date of this Agreement plus twenty (20) basis points (or such higher rate as may be imposed by HUD pursuant to the Variable/Fixed Rate Note #B-04-UC-06-0505 to be executed by COUNTY in favor of HUD ("HUD Note") in connection with the HUD Loan). From and after the date ("Conversion Date") of funding of the public bond offering by the COUNTY, the interest rate applicable to the Loan shall be equal to the interest rate on the bonds, as provided in the HUD Note. The interest rate charged to Borrower under the Note to be executed hereunder shall be City's actual interest rate under the COUNTY Loan and shall not be augmented or surcharged by City. The foregoing rates of interest in effect from time to time are hereinafter sometimes referred to as the "Base Rate". Interest shall be computed on the basis of actual number of days elapsed and a 360-day year. Notwithstanding the foregoing, any amounts not paid when due under this Agreement or the Note shall bear interest from the date due to the date paid at the rate of ten percent (10%) per annum ("Default Rate").

2.2 Payment Dates and Amounts

Subject to approval by HUD in accordance with the HUD Commitment Letter (as defined below), the schedule for repaying the Loan shall be as set forth in this Section 2.3. Absent any default or acceleration, Borrower shall initially make quarterly payments to City of interest only, payable at least eleven working days in advance of the first day of each calendar quarter. From and after the Conversion Date, Borrower shall

make semi-annual interest payments for the first two (2) years during the permanent financing period and then semi-annual payments of principal and interest in an amount necessary to amortize the Loan in 20 years as reasonably calculated by the COUNTY. The timing of the semi-annual payments shall be at least eleven (11) working days in advance of each August 1 and February 1 or as reasonably determined by the City based on coordination with the timing of debt service payments by COUNTY under the HUD Note. Notwithstanding any other provision of the Note or of this Agreement, unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under the Note shall be due and payable in full on the 20th anniversary of the Close of Escrow for the Loan ("Maturity Date"). Any of the foregoing or other payment terms of this Note are subject to modification by the City as necessary to meet payment terms under the COUNTY loan from HUD ("HUD Loan") that is the City's source of funds for the Loan.

2.3 Payments Due on Sale or Default

Borrower shall repay the Loan in full, with interest and any other amounts payable under the Note or the COUNTY Loan, upon the occurrence of a sale, transfer, or assignment of the Security Parcels or the Development Site to which the City has not given written consent (unless the City's consent is not required under the terms of this Agreement).

3.0 ACCELERATION

Notwithstanding the payment terms set forth in Section 2 above, upon the occurrence of any "Event of Default" as set forth in Section 15 below, the entire outstanding principal balance of the Note, together with any outstanding interest and other amounts payable thereunder or under the COUNTY Loan, shall, at the election of City and upon notice to Borrower thereof, become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower.

4.0 PREPAYMENT; APPLICATION OF PAYMENTS

At any time after the disbursement of the Loan proceeds, and subject to any HUD requirements applicable to prepayment or defeasance of the HUD Loan, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums outstanding without penalty; provided, however, that Borrower shall also pay any prepayment premium imposed by HUD or other defeasance cost incurred in connection with prepayment or defeasance of the COUNTY Loan and HUD's Section 108 loan to COUNTY. Borrower hereby agrees and understands that the prepayment of the Note shall not relieve Borrower of the duty to comply with the covenants described in Sections 9.4, 9.7, 10 and 11 herein, and such obligations and covenants shall remain in full force and effect pursuant to their terms. All payments, including any prepayments or funds received upon acceleration pursuant to Section 3 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under the Note or this Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the Base Rate, if any, and then finally toward the remaining principal balance of the Loan.

5.0 SECURITY AND SOURCE OF PAYMENT

Borrower's obligation to repay the Loan and any associated interest and other amounts payable under this Agreement or the Note shall, at all times during which any amount remains outstanding, be secured by the deed of trust for both properties ("Deed of Trust"), in the form of Exhibit "E" attached hereto or as otherwise required by HUD, recorded against the Security Parcels and assigned to the COUNTY by the City pursuant to an Assignment of Deed of Trust and Other Loan Documents ("Assignment") in the form of Exhibit G to the COUNTY Loan Agreement. The security interest granted to City pursuant to the Deed of Trust shall be an unsubordinated first priority lien on the Security Parcels.

Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this Agreement or the Loan, the Loan is a limited obligation of Borrower and in the event of the occurrence of an Event of Default, City's only recourse shall be against the Security Parcels, the proceeds thereof, the rents and other income arising from its use and occupancy following an Event of Default as provided in the Deed of Trust, the **Letter of Credit**, and the other collateral given as security for repayment of the Loan

CITY shall surrender and execute a release the Letter of Credit if all of the following conditions are satisfied: (i) Cash and/or cash equivalents in the total amount of One Million Dollars (\$1,000,000) is assigned and transferred to the County and; (ii) Cash and/or cash equivalents is in deposited in an escrow account held by the COUNTY's escrow agent pursuant to the Escrow Agreement until the loan is paid in full.

6.0 ESCROW; CONDITIONS TO FUNDING THE LOAN

6.1 Escrow

Disbursement of the Loan proceeds in accordance with this Agreement, delivery of the executed Note to City, and recordation and delivery of the Deed of Trust and other Loan Documents to be recorded and delivered shall be carried out through an escrow account ("Escrow") to be established by the Parties with U.S. Bank or another title or escrow company specifically approved in writing for this transaction by City ("Escrow Holder"). The Parties may execute supplemental instructions to Escrow Holder consistent with the terms of this Agreement, but in the event of a conflict between the terms of this Agreement and any supplemental escrow instructions, the terms of this Agreement shall control. Except as otherwise expressly provided herein, any fees and costs incurred by COUNTY, City or Borrower in connection with the Loan, the COUNTY Loan, the HUD Loan, the Escrow, or any of the Loan Documents shall be paid exclusively by Borrower and shall not be paid from Loan proceeds (except a COUNTY Loan fee of \$100,000 and HUD fees of approximately \$150,000 which shall be deducted from Loan proceeds). The following is a partial estimate (not a cap, except as to legal fees) of COUNTY-incurred fees and costs to be paid by Borrower when due or when invoiced by COUNTY: (i) \$2,500 escrow fee; (ii) \$14,000 title insurance premium; (iii) \$25.00 wire transfer fee per wire and \$75.00 reconveyance fee; (iv) \$500 recording fees; (v) \$10.00 per item notary fee; (vi) payoff demand fees as required by existing lienholders, if any, to be repaid; (vii) \$70.00 per wire fee and \$100 quarterly administration fees imposed by HUD; and (viii) special counsel fees of up to \$25,000.

6.2 EDI Grant

Concurrently with executing agreements for the HUD Loan, COUNTY has executed or will execute with HUD an agreement (the "HUD Grant Agreement") providing for an economic development grant totaling \$1,000,000 (the "HUD Grant Funds") through an EDI Grant Agreement (Grant No. B-98-ED-06-0042). Subject to the terms of the HUD Grant Agreement, the HUD Grant Funds shall be disbursed to Borrower

together with the Loan Funds pursuant to Section 6.4 below. Borrower shall comply with and satisfy all covenants and requirements of the HUD Grant Agreements, and shall indemnify, defend, and hold harmless City and COUNTY for any costs, claims, liabilities or obligations arising out of or related to the HUD Grant Agreements.

6.3 Closing Conditions

City shall have no obligation to make any disbursements of Loan proceeds under this Agreement unless the Close of Escrow occurs on or before the date ("Closing Deadline") that is the first anniversary of the date of this Agreement, and this obligation shall in any event be subject to satisfaction of all of the following conditions (a) through (n) (the "Closing Conditions"):

- (a) The execution of this Agreement by City and Borrower, and delivery of a fully-executed copy to Escrow Holder;
- (b) Borrower's due execution and deposit into Escrow of the Promissory Note;
- (c) Borrower's due execution (with notary acknowledgment) and deposit into Escrow of the covenants, conditions and restrictions ("CC&Rs") in the form attached hereto as Exhibit F;
- (d) Borrower's due execution (with notary acknowledgment) and deposit into Escrow of the Deed of Trust, and City's confirmation that the Security Parcels described on Attachment 1 to the Deed of Trust are in fact those parcels currently assigned through lease agreements with Dedeaux Properties, LLC and Huhtamaki Packaging, Inc. at 4209 Noakes Street and Contessa Food Products at 4000 Noakes Street in the City of Commerce.
- (e) Borrower's due execution and deposit into Escrow of the UCC-1 financing statement attached hereto as Exhibit I ("Developer UCC-1") conforming to California Secretary of State requirements;
- (f) Borrower's due execution and deposit into Escrow of the Commercial Guarantee Agreement;
- (g) Satisfaction of all "Closing Conditions" provided in the COUNTY Loan Agreement as prerequisites to COUNTY's funding of the COUNTY Loan;
- (h) Receipt by City from Borrower of such other documents, certifications and authorizations as are reasonably required by City, in form and substance satisfactory to City, evidencing that (i) this Agreement, the Note, the Deed of Trust, the CC&Rs and all other documents given or executed in connection herewith (collectively, the "Loan Documents") are duly and validly executed by and on behalf of and constitute the valid and enforceable obligation of Borrower pursuant to the respective terms of each of such documents, and (ii) the execution and delivery of this Agreement, the Note, the Deed of Trust and all other documents executed or given hereunder, and the performances thereunder by Borrower, will not breach or violate any law applicable or governmental regulation to which Borrower is subject nor constitute a breach of or default under any instrument or agreement to which Borrower may be a party;
- (i) Escrow Holder shall have assured that upon recordation of the Deed of Trust and the Assignment there will be provided to City, at Borrower's sole expense, a lender's policy of title insurance (with customary endorsements, including but not limited to Nos. 100, 103.7 and 116 and

such other endorsements as City shall reasonably require) issued by a title insurer specifically approved by City ("Title Company") in the amount of the Loan, insuring City's interest as beneficiary under the Deed of Trust encumbering the Security Parcels, and specifically insuring that lien of the Deed of Trust against the Security Parcels as an unsubordinated first priority lien subject only to any exceptions to title applicable to the Security Parcels which were shown in a preliminary title report provided to City by Title Company and approved in writing by City ("Permitted Encumbrances");

(j) No Event of Default shall exist under this Agreement or under any agreement or instrument relating to this Agreement, the Security Parcels, the Development Site, or the Project, and Borrower has demonstrated to the satisfaction of the City Administrator (or his designee) that all financing sources for development and on-going operation of the Project, including but not limited to Borrower's equity, are or will be available in sufficient amounts to provide for full and timely completion and on-going operation of the Project;

(k) Borrower has caused the **Letter of Credit or Certificate of Deposit** in the amount of \$1,000,000 (described in Section 2.1 above) to be issued to COUNTY in form and substance and from an A or better-rated issuer approved by COUNTY at COUNTY's sole discretion. The **Letter of Credit or Certificate of Deposit** shall have an initial term of not less than one year and shall be renewed annually thereafter not less than 30 days before expiration and will be held in escrow for the term of loan;

(l) Borrower shall have provided to City, in form satisfactory to City, certified copies of (i) Borrower's governing partnership agreement, operating agreement, or articles and bylaws, together with a certification by the managing member, managing general partner, or president that such agreement or articles and bylaws has not been amended or modified except as described in the certification (ii) a good standing certificate from the California Secretary of State, certifying that Borrower is duly qualified and in good standing, and (iii) all other documents necessary to evidence to City's satisfaction that the individuals and entities executing this Agreement and the Loan Documents, and other entities on whose behalf such documents are executed, are fully authorized to do so and to bind the respective entities, including Borrower, to the terms hereof and thereof;

(m) Borrower shall have obtained City's written approval of a supplemental instruction to Escrow Holder specifying the applicable payees and uses for the Loan proceeds when disbursed by Escrow Holder for the account of Borrower pursuant to this Agreement.

(n) Borrower shall have furnished City with certificates of insurance evidencing the coverages required by Section 9.8 below; and

(o) Borrower shall have furnished to City and obtained City's approval of all soils and geologic reports and environmental assessments which exist or which City desires in its sole discretion to obtain with respect to the Development Site and the Security Parcels; provided, however, that City shall not require any new reports or assessments pursuant to this Closing Condition unless City hereafter obtains new evidence of materially adverse soils or geologic conditions not previously disclosed to City. Borrower hereby acknowledges that City's review and approval of such reports and of any other contract, document or other matter under this Agreement is solely for the benefit of City, and should not be relied upon as any assurance or warranty of the correctness, adequacy or appropriateness of any such matter.

(p) Borrower securing from Huhtamaki Packaging, Inc. (the "Sellers") and delivering to City a fully executed agreement, in a form satisfactory to COUNTY, under which the Sellers, jointly and severally, agree to segregate the proceeds from the acquisition of the Development Site, and use

these proceeds only for the purposes designated in Section 8 of this Agreement

6.4 Close of Escrow

When, and only when, Escrow Holder has confirmed that Closing Conditions (a), (b), (c), (d), (e) and (h) above have been satisfied, and has received written certification from the Executive Director of the Community Development Commission of the County of Los Angeles ("Executive Director") that all other Closing Conditions have been timely satisfied or waived, then Escrow Holder shall carry out the close of Escrow ("Close of Escrow") by:

- (i) causing the Deed of Trust and the CC&Rs to be recorded in the Official Records of Los Angeles County, California;
- (ii) delivering the executed original Loan Documents to City;
- (iii) causing the Developer UCC-1 to be duly filed with the California Secretary of State;
- (iv) causing the Title Policy to be issued to City in the form and amount specified above; and
- (v) disbursing the Loan proceeds pursuant to this Agreement and Escrow instructions mutually approved by Borrower and City pursuant to Section 6.3(l) above, which instructions shall provide, among other things, for disbursement from Loan proceeds consistent with Section 8 below, of amounts including a COUNTY Loan fee of \$100,000 and an underwriting fee of up to \$150,000 to HUD.

6.5 Closing Deadline

If the Close of Escrow does not occur prior to the Closing Deadline, then the Escrow shall terminate, and Escrow Holder shall promptly return all funds and documents to the Party depositing them.

7.0 Reserved

8.0 PURPOSE OF LOAN; USE OF LOAN PROCEEDS

Proceeds of the Loan shall be used only for the following purposes: (i) to pay the COUNTY Loan fee of \$100,000 and underwriting fees, issuance costs and expenses of up to 1.5% (\$150,000) to HUD, which amount shall be deemed disbursed at the Close of Escrow; and (ii) the balance shall be loaned to Borrower for the uses specified in the City and Borrower correspondence attached hereto as Exhibit "J", including but not limited to retiring seller financing associated with Developer's acquisition of the Development Site. In the event the actual underwriting fee required by HUD is less than \$150,000 then the remainder shall be disbursed to Developer as part of the Loan proceeds for use in accordance with clause (ii) above.

9.0 COVENANTS OF BORROWER

As additional consideration for the making of the Loan by City, Borrower covenants as follows:

9.1 Compliance with Laws; Compliance with City Loan and HUD Loan

Borrower shall comply with all applicable Governmental Restrictions. As used herein, "Governmental Restrictions" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they pertain to the Loan, performance of this Agreement or development or operation of the Project, including specifically but without limitation all code and other requirements of the jurisdiction in which the Project is located; the California Environmental Quality Act; applicable federal, state and local fair housing laws; and public bid and prevailing wage requirements. Borrower shall be solely responsible for determining whether any state or federal prevailing wage requirements may be applicable to the Project, and for implementing any and all prevailing wage requirements which may apply, regardless of whether they may be obligations of the contractor or of the party awarding the contract. Prevailing wage laws include, among others, California Labor Code Section 1720 et seq., and the federal Davis-Bacon Act (40 U.S.C. §276a). If applicable, these requirements may include, among others, the requirement that prevailing wages be paid, that prevailing wage schedules be posted at the jobsite, and that detailed wage records be maintained. Borrower shall indemnify, defend and hold City harmless for any suit, cost, attorneys' fees, claim, administrative proceeding, damage, wage award, fine, penalty or liability arising out of or relating to the Project. Borrower specifically acknowledges that City's source of funds for making the Loan will be Section 108 funds obtained through the COUNTY from HUD, and Borrower shall comply in all respects with the contractual, statutory and regulatory requirements associated with the Section 108 financing, and shall not cause City or COUNTY to be in default or violation of such requirements.

Borrower specifically acknowledges that City's source of funds for making the Loan will be Section 108 funds obtained through the COUNTY Loan, and that the COUNTY's source of funds for making the COUNTY Loan is HUD pursuant to the HUD Loan. Borrower shall comply in all respects with the contractual, statutory and regulatory requirements associated with the COUNTY Loan and the HUD Loan, including but not limited to provisions relating to repayment thereof, and shall not cause COUNTY or City to be in default or violation of such requirements. Borrower shall indemnify, defend, and hold harmless COUNTY, the Community Development Commission of the County of Los Angeles ("Commission") and City for any costs, claims, liabilities or obligations arising out of or related to the HUD Loan or the City Loan. Borrower acknowledges that the City will be assigning this Loan to COUNTY upon execution of this Agreement, and Borrower agrees that it shall make all payments only to COUNTY and shall look only to COUNTY for any consents or approvals required from City under the Loan Documents.

9.2 Project Disclosures

Borrower shall make available for inspection and audit to City's representatives, upon seventy-two (72) hours written request, at any reasonable time during the 20-year term ("Term") of the Loan at Borrower's offices, all of Borrower's books and records relating to the permitting, construction and operation of the Project and this Agreement. All such books and records shall be maintained by Borrower until the later of three (3) years after the Loan is repaid in full or five (5) years after fulfillment of Borrower's job creation obligations under Section (1) of the CC&Rs. In the event any litigation, claim or audit is started before the expiration of the Term, said books and records shall be retained until all litigation, claims, or audit findings involving said books and records shall have been resolved.

9.3 Other Reports

Upon seventy-two (72) hours written notice, at any reasonable time during the Term, Borrower shall prepare and submit to City, all additional reports and any financial, program progress, monitoring, evaluation or other reports reasonably required by City or its representatives as they relate to the Project or this Agreement; provided, however, if such requested reports are not capable of being prepared and submitted to City within such 72-hour period, then within a reasonable time thereafter. Borrower shall ensure that its employees, agents, officers, and board members furnish such information, which in the reasonable judgment of City representatives, may be relevant to a question of compliance with this Agreement or the Loan Documents. Borrower shall retain all existing records and data relating to the Project until the later of three (3) years after the Loan is repaid in full or five (5) years after fulfillment of Borrower's job creation obligations under Section (1) of the CC&Rs. In the event any litigation, claims or audit is started during the Term, said books and records shall be retained until all litigation, claims or audit findings involving said books and records have been resolved.

9.4 Indemnification

Subject to the provisions of Section 9.7 below, from and after the date hereof, Borrower agrees to and does hereby indemnify, defend and save harmless City, COUNTY, Commission, HUD and their respective members, directors, agents, officers and employees from and against any and all liability, expense, including reasonable defense costs and legal fees of counsel acceptable to City, and claims (collectively, "Claims") for damages of any nature whatsoever, which Claims arise directly or indirectly from or in connection with the Development Site, the Project or the Security Parcels, including, but not limited to Claims respecting bodily injury, death, property damage, workers' compensation, liability or expense arising from or in connection with services performed on behalf of Borrower pursuant to this Agreement; provided, however, that without limiting foregoing indemnity of COUNTY, Commission, or HUD, Borrower's indemnification of the City under this Section 9.4 and Section 9.7 below shall not apply to claims that result solely from the gross negligence or willful misconduct of City or which relate to the provision of municipal services by the City. This covenant shall remain in force and effect following the expiration of the term of the Loan.

9.5 Audit by State and Federal Agencies

Borrower agrees that in the event this Agreement or the Loan is subjected to audit, monitoring or other inspections by appropriate state and federal agencies (collectively, "Inspections"), it shall be responsible for complying with such Inspections and paying, on behalf of itself and City, the full amount of the liability to the funding agency resulting from such Inspections, unless such Inspections and any resulting liability arises solely from the gross negligence or willful misconduct of City.

9.6 Program Evaluation and Review

Borrower shall allow City authorized personnel to inspect and monitor its facilities and program operations as they relate to the Project or this Agreement, including the interview of Borrower's staff, tenants, and other program participants, as reasonably required by City during the Term.

9.7 Hazardous Materials

Borrower represents, warrants and covenants that it has not and shall not (i) deposit "Hazardous Materials"

(as defined below) in, on or upon the Development Site or Project, or (ii) permit the deposit of Hazardous Materials in, on or upon the Project. Borrower further covenants and agrees to remove or remediate, at its expense (utilizing Loan proceeds only to the extent if at all expressly authorized by Section 8.0 above, and subject to any reimbursement it may be able to obtain from third parties) any Hazardous Materials located in, on or upon the Development Site or the Project as of the date hereof or which are deposited in, on or upon the Development Site or the Project from and after the date hereof, including any asbestos, lead-based paint and any other Hazardous Materials located in the Project, to the extent required by and in accordance with the requirements of the applicable environmental laws. The foregoing shall not be construed or understood to prohibit Borrower from allowing Hazardous Materials to be brought upon the Project so long as they are materials which are customary and common to the normal course of business in the construction or operation of a well-designed refrigerated food processing building and so long as such materials are used, stored and disposed of in accordance with all applicable governmental restrictions.

Borrower agrees to indemnify, defend and hold City, COUNTY, Commission, and their respective members, directors, agents, officers and employees harmless from and against any Claims arising directly or indirectly out of the presence of Hazardous Materials in, on or upon the Development Site or the Project, existing as of the date hereof or deposited (or claimed to have been deposited) in, on or upon the Development Site or the Project, including without limitation any Claims arising out of any deposits of Hazardous Materials described in (i) and (ii) hereinabove or out of Borrower's failure to remove or remediate all such Hazardous Materials in, on or upon the Development Site and the Project, as required above. Borrower hereby releases, waives and discharges City and COUNTY and their respective agents, officials and representatives from all present and future claims, demands, suits, legal and administrative proceedings and from all losses and liabilities arising out of or in any way connected with Borrower's ownership of the Development Site, operation of the Project, or any condition of environmental contamination in, on, under, upon or around the Development Site, or the existence of Hazardous Materials in any state in, on, under, upon or around the Development Site, and in connection with such release and waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

For purposes of this Agreement, the term "Hazardous Materials" means, without limitation, gasoline, petroleum products, explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, polychlorinated biphenyls or related or similar materials, asbestos or any other substance or material as may now or hereafter be defined as a hazardous or toxic substance by any federal, state or local environmental law, ordinance, rule or regulation, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act (42 U.S.C. Section 6901 et seq.), (ii) the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), (iii) the Clean Air Act (42 U.S.C. Section 7401 et seq.), (iv) the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984 (42 U.S.C. Section 6902 et seq.), (v) the Toxic Substances Control Act (15 U.S.C. Section 2601-2629), (vi) the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.), (vii) the Carpenter-Presley-Tanner Hazardous Substance Account Act (CA Health & Safety Code Section 25300 et seq.), (viii) the Hazardous Waste Control Law (CA Health & Safety Code Section 25100, et seq.), (ix) the Porter-Cologne Water Quality Control Act (CA Water Code Section 13000 et seq.), (x) the Safe Drinking Water and Toxic Enforcement Act of 1986, (xi) the Hazardous Materials Release Response Plans and Inventory (CA Health & Safety Code Section 25500 et seq.), (xii) the Air Resources Law (CA Health & Safety Code Section 39000 et seq.), or (xiii) in any of the regulations adopted and publications promulgated pursuant to the foregoing.

Borrower shall provide notice to City within 10 days of Borrower's receipt of any notice from another property owner or governmental agency regarding Hazardous Materials on the Development Site or Security Parcels.

9.8 Insurance

Without limiting Borrower's indemnification of City provided above, Borrower shall procure and maintain at its own expense during the Term of the Loan the insurance described below. Such insurance shall be secured from carriers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide. Borrower shall, prior to the Close of Escrow for the Loan, deliver to City certificates of insurance with original endorsements evidencing the general liability coverage required by this Agreement. Borrower shall deliver the certificates of insurance evidencing issuance of "all risk" property insurance described in (b) below and worker's compensation insurance described in (c) below at such time that such exposures are at risk, but in no event later than the Close of Escrow. The certificate and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf. City reserves the right to require complete certified copies of all policies at any time. Said insurance shall be in a form acceptable to City and may provide for such deductibles as may be acceptable to City. In the event such insurance does provide for deductibles or self-insurance, Borrower agrees that it will protect City, its agents, officers and employees in the same manner as these interests would have been protected had full commercial insurance been in effect. Each such certificate shall stipulate that City is to be given at least thirty (30) days written notice in advance of any modification or cancellation of any policy of insurance.

(a) Liability: Comprehensive liability insurance, including coverage for personal injury, death, property damage and contractual liability, with a combined single limit of at least One Million Dollars (\$1,000,000) for each occurrence (\$2,000,000 General Aggregate), including products and completed operations coverage. City and their agents, officials and employees shall be named as additional insureds in each of the aforementioned insurance policies with respect to liability arising from activities performed by or on behalf of Borrower, or premises owned, leased or used by such persons. Said insurance shall be primary insurance with respect to City. If required by City from time to time, Borrower shall increase the limits of its liability insurance to reasonable amounts customary for owners of improvements similar to the Project. The policy shall contain a waiver of subrogation for the benefit of City, COUNTY, and the Community Development Commission of the County of Los Angeles ("Commission"), and HUD.

(b) Property Insurance: "All Risk" property insurance, including without limitation builder's risk protection during the course of construction, covering the full replacement value of real property and equipment utilized for the Project. Coverage shall extend to provide debris removal. City shall be the loss payee under the aforementioned policy under a standard lender's endorsement; provided, however, that solely with respect to the Development Site, Borrower's construction lender or permanent lender shall be the loss payee. Earthquake coverage, in form and amount reasonably approved by City shall be maintained throughout the term of this Agreement; provided, however, that solely with respect to the Development Site, earthquake insurance and the other property insurance described in this paragraph 9.8(b) shall not be required following satisfaction of Borrower's job creation obligations under Section (1) of the CC&Rs. The requirement of earthquake insurance shall also be waived by City for any period during which Borrower demonstrates, to the reasonable satisfaction of City, that earthquake coverage is not available at a commercially reasonable cost.

(c) Worker's Compensation: Borrower's employees shall be covered by Workers' Compensation insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California and Employers Liability limits of \$1,000,000 per accident.

No modification or waiver of the insurance requirements set forth herein shall be made without the prior written approval of the City Administrator of City.

Failure on the part of Borrower to procure or maintain the insurance coverage required above shall constitute a material breach of this Agreement pursuant to which City may immediately terminate this Agreement and exercise all other rights and remedies set forth herein, at its sole discretion, and without waiving such default or limiting the rights or remedies of City, procure or renew such insurance and pay any and all premiums in connection therewith and all monies so paid by City shall be repaid by the Borrower to City upon demand including interest thereon at the Default Rate.

9.9 Financial Statements; Tax Returns

Borrower shall deliver to COUNTY a copy of Borrower's annual audited financial statements within six (6) months after the end of each fiscal year of Borrower occurring during the term of the Loan.

9.10 Other Loans

Borrower shall comply with all monetary and non-monetary covenants associated with any loan, including but not limited to the Other Financing, secured by an interest in the Development Site, the Security Parcels, the Project or other collateral provided for the Loan. Borrower shall provide to City a copy of any notice of default within three business days after receiving any notice of a default or alleged default of such covenants, and Borrower shall promptly cure any such default and cooperate in permitting City, to the extent City in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by City in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the Loan. With respect to the Development Site and the Project (Phase III) only, the requirements of this Section 9.10 shall apply only until the later of (i) Borrower's fulfillment of the job creation requirements in Section (1) of the CC&Rs; or (ii) three years following the date of this Agreement.

10.0 USE OF THE DEVELOPMENT SITE

10.1 Job Creation for Low- and Moderate Income Residents

Borrower shall satisfy and comply with the provisions of the CC&Rs, including but not limited to the provisions of the CC&Rs (i) requiring the creation, within **sixty-three (63)** months following the Close of Escrow for the Loan, of jobs for low and moderate income residents of areas located within a five-mile radius of the Development Site (the foregoing requirement is sometimes referred to below as the "Job Creation Obligation").

10.2 Reports and Records

Borrower shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by City to monitor compliance with the requirements described in Section 10.1 above.

10.3 Reserved

10.4 Operations and Maintenance

Borrower covenants and agrees for itself, its successors and assigns, which covenants shall run with the Development Site and bind every successor or assign in interest of Borrower during the term of this Agreement, that during development of the Development Site pursuant to this Agreement and thereafter, neither the Development Site nor the Project, nor any portion thereof, shall be improved, used or occupied in violation of any applicable Governmental Restrictions or the restrictions contained in this Agreement or the Loan Documents. Furthermore, Borrower and its successors and assigns shall not maintain, commit, or permit the maintenance or commission on the Development Site, the Security Parcels or in the Project, or any portion thereof, of any nuisance, public or private, as now or hereafter defined by any statutory or decisional law applicable to the Development Site, the Security Parcels or the Project, or any portion thereof.

11.0 BORROWER'S OBLIGATION TO REFRAIN FROM DISCRIMINATION

There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Development Site, nor shall Borrower itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Development Site or any portion thereof. The nondiscrimination and nonsegregation covenants set forth herein shall remain in effect in perpetuity.

11.1 Form of Nondiscrimination and Nonsegregation Clauses

Borrower shall refrain from restricting the rental, sale or lease of the Development Site or any portion thereof on the basis of race, color, creed, religion, sex, marital status, national origin, or ancestry of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(b) In leases: "The lessee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee himself or herself, or any person claiming under or

through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased."

(c) In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the parties to this contract or any person claiming under or through them, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the premises."

12.0 BORROWER'S CONSTRUCTION COVENANTS.

Borrower shall complete construction of the Project, on or before the third anniversary of the Close of Escrow for the Loan, as follows:

12.1 Completion of the Project.

For the purposes hereof, "Completion" shall be deemed to have occurred when City has received satisfactory evidence that not less than one million (1,000,000) square feet of building area in the Project has been completed in compliance with the plans and specifications (collectively, the "Plans") referenced in the construction contract (the "Construction Contract") which Borrower has entered into with a general contractor (the "Contractor") with respect to the Project, and with this Agreement and that all final permits and certificates necessary to the operation of the Project as contemplated herein have been obtained, including, without limitation, the following, each of which is subject to City's review and approval:

(a) A certificate of occupancy (the "Certificate of Occupancy") and any other final permits and licenses necessary to permit the use and occupancy of the Project for its intended purposes, which have been issued by proper governmental agencies.

(b) Certificates of insurance issued by Borrower's insurance agent evidencing compliance with all insurance requirements set forth in the Loan Documents.

(c) Unconditional Waivers and Releases Upon Final Payment, in statutory form, showing no amounts in dispute (other than disputed liens which have been bonded by Borrower for at least 125% of the disputed amount), from the Contractor, all subcontractors, and all other persons or entities providing services or furnishing material in connection with the Project.

12.2 Construction.

Borrower shall cause the construction of the Project to be done in a good and workmanlike manner substantially according to the Plans and this Agreement. In constructing the Project, Borrower shall comply in all material respects with all applicable laws and regulations. If necessary, the Plans shall be modified to comply in all material respects with all applicable laws and regulations. City shall have inspected the Project, as completed, and verified to its reasonable satisfaction that the completed Project conforms to the scope and design represented in Borrower's application materials to COUNTY for the Loan, with any later modifications approved by City (and COUNTY and HUD, if applicable).

12.3 Barriers to the Disabled.

Borrower shall cause the Project to be developed to comply with all applicable federal, state and local requirements for access for disabled persons.

12.4 Lead-Based Paint.

Borrower and its contractors and subcontractors shall not use lead-based paint in construction or maintenance of the Project. Borrower shall cause this provision to be incorporated in all contracts and subcontracts for work performed on the Development Site which involve the application of paint.

13.0 INDEPENDENT CONTRACTOR

In their performance of this Agreement, all parties hereto will be acting in an independent capacity and not as agents, employees, partners, joint venturers, or associates of one another. The employees or agents of one party shall not be deemed or construed to be the agents or employees of the other party for any purpose whatsoever, including workers' compensation liability. Borrower shall bear the sole responsibility and liability for causing its Contractor to furnish workers' compensation benefits to any person for injuries arising from or connected with the Project or this Agreement.

14.0 ASSIGNMENT OF THIS AGREEMENT

This Agreement shall be assignable by Borrower only if Borrower obtains the prior express written consent of City, which consent may be withheld by City in its sole discretion. Notwithstanding anything which may be or appear to be herein to the contrary, no purported assignment of this Agreement and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Governmental Restrictions. City's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by City including, without limitation, any and all documents deemed necessary by City to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) City's approval of the financial and credit worthiness of such proposed assignee.

Any attempt by Borrower to assign any performance or benefit under the terms of this Agreement, without the prior written consent of City as provided herein, shall be null and void and shall constitute a material breach of this Agreement. In accordance with the foregoing, in the event of (i) a sale or transfer of Borrower's interest in the Development Site, the Security Parcels, or the Project, or (ii) a sale or transfer of more than forty-nine percent (49%) of Borrower's present ownership and/or control in the Development Site, the Security Parcels, or the Project, in the aggregate, taking all transfers into account on a cumulative basis, or (iii) a sale or transfer of the in the Development Site, the Security Parcels, or the Project, occurring without the prior express written consent of City, City may, at its option, by written notice to Borrower, declare Borrower in default under this Agreement. Borrower's leasing of portions of the Project to bona fide tenants is hereby permitted and shall not require City consent. In addition the following transfers by Borrower shall be permitted and shall not require City consent: (i) transfers for estate planning purposes; (ii) between its members (as they exist on the date of this Agreement); (iii) between its members and their family members; and (iv) encumbrances of all or any portion of the Development Site which are both subordinate to the CC&Rs and granted in connection with construction or permanent financing for the Project. For this purpose, a person's "family members" shall be limited to his or her children, grandchildren, siblings, parents, grandparents, and the spouses of any of the foregoing.

Solely with respect to the Development Site the foregoing restrictions in this Section 14 shall apply

only until Borrower's job creation and reporting obligations under Section (1) of the CC&Rs have been fully performed.

City will assign its rights under this Agreement, the Deed of Trust, the CC&Rs and the other Loan Documents to COUNTY pursuant to the COUNTY Loan Agreement. Following such assignment, Borrower shall address all payments, notices, requests for consent or determinations to the COUNTY, and references herein to the City or the City Administrator shall be deemed to refer to the COUNTY and to COUNTY's Executive Director, respectively.

15.0 EVENTS OF DEFAULT AND REMEDIES

15.1 Borrower Events of Default

The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("Event of Default"):

(a) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note or any of the Loan Documents, without curing such failure within ten (10) days after receipt of written notice of such default from City (or from any party authorized by City to deliver such notice as identified by City in writing to Borrower). Notwithstanding anything herein to the contrary, no notice requirement or cure period shall apply to a failure by Borrower to make timely payments of principal and interest in advance of payment dates on the HUD Loan as specified in Section 2.3 above;

(b) The failure of Borrower to perform any non-monetary covenant or obligation hereunder or under the terms of the Note or any of the Loan Documents, without curing such failure within thirty (30) days after receipt of written notice of such default from City (or from any party authorized by City to deliver such notice as identified by City in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in Sections 15.1 (c) through 15.1 (i) below;

(c) The falsity of any material representation or material warranty made by Borrower under the terms of this Agreement or any of the Loan Documents;

(d) Borrower or any constituent member or partner (excluding members or partners having less than a 33% interest in the aggregate), or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(e) If a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner (excluding members or partners having less than a 33% interest in the aggregate), or majority shareholder, of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(f) Following completion of the construction of the Project, voluntary or involuntary cessation of the operation of the Project for a continuous period of more than three hundred sixty (360) days;

(g) City shall at any time or times during the term of the Loan reasonably determine that the outstanding balance of the Loan (excluding interest) exceeds eighty-five percent (85%) of the fair market value of the Security Parcels;

(h) Borrower shall suffer or attempt to effect a Transfer (as defined below) in violation of Section 14 above or Section 30 below; or

(i) Borrower shall be in default under the terms of any other secured or unsecured obligation to a third party relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default. This paragraph 15.1(i) shall apply only until the later of (i) Borrower's fulfillment of the job creation requirements in Section (1) of the CC&Rs; or (ii) three years following the date of this Agreement.

15.2. City Remedies

Upon the occurrence of an Event of Default hereunder, City may, in its sole discretion, take any one or more of the following actions:

(a) By notice to Borrower, except in the case of an Event of Default under Section 15.1(c) or Section 15.1(d), in which event no notice shall be required, declare the entire then unpaid balance of the Loan and any accrued interest and other amounts immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are expressly waived. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(b) Subject to the nonrecourse provisions of Section 5 above, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of City, to collect the amounts then due and thereafter to become due hereunder and under the Note, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of Borrower under this Agreement or under any other document executed in connection herewith including but not limited to drawing on collateral pursuant to the Escrow Agreement and the Pledge and Security Agreement, if any;

(c) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default which is occasioned by Borrower's failure to pay money, whether under this Agreement or any other provision of the Loan Documents, City may, but shall not be obligated to, make such payment. If such payment is made by City, Borrower shall deposit with City, upon written demand therefore, such sum plus interest at the Default Rate. In either case, the Event of Default with respect to which any such payment has been made by City shall not be deemed cured until such repayment (as the case may be) has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under the Note;

(d) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default described in Section 15.1(d) or (15.1(e) hereof, City shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of City and its counsel to protect the interests of City and to collect and receive any monies or other property in satisfaction of its claim.

15.3. No Remedy Exclusive

No remedy herein conferred upon or reserved to City is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as City may determine in its sole discretion, subject to the non-recourse provisions of Section 5 above. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by City, subject to the non-recourse provisions of Section 5 above. In order to entitle City to exercise any right or remedy reserved to it under this Agreement, no notice shall be required except as expressly provided herein.

15.4. City Default and Borrower Remedies

Upon fault or failure of City to meet any of its obligations under this Agreement without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

(a) Demand and obtain payment from City of any sums due to or for the benefit of Borrower pursuant to the express terms of this Agreement;

(b) Bring an action in equitable relief seeking the specific performance by City of the terms and conditions of this Agreement or seeking to enjoin any act by City which is prohibited hereunder; and

(c) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Agreement.

Notwithstanding the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek

consequential damages of any kind or nature from City, COUNTY or HUD arising out of or in connection with this Agreement, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

16.0 BORROWER CURE RIGHTS UNDER COUNTY LOAN

City shall cooperate with any attempt by Borrower to cure any City default under the COUNTY Loan.

17.0 AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this Agreement or any of the Loan Documents as a consequence of any default, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this Agreement or any other Loan Document shall also be entitled to its reasonable attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse City, upon demand by City, for all costs incurred by City in connection with the enforcement of this Agreement, the Note, and any other Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether City is a creditor in such proceeding or otherwise.

18.0 RIGHT OF ACCESS AND INSPECTION

Representatives of City shall have the right at any time during normal business hours and from time to time to enter upon the Development Site for purposes of inspection. Inspection by City of the Project or the Development Site or any construction thereof is for the sole purpose of protecting City and is not to be construed as an acknowledgment, acceptance or representation by City or the County that there has been compliance with any Plans approved pursuant to this Agreement, or any terms or provisions of this Agreement, or that the Project or the Development Site or any of the construction thereof is or will be free of faulty materials or workmanship. Notwithstanding the foregoing, following completion of applicable portions of the Project, inspection of portions of the Property occupied by tenants shall be conducted by City only with reasonable notice at a time mutually convenient for City and the tenant.

19.0 CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY

No official or employee of City shall have any personal interest, direct or indirect, in this Agreement, nor shall any official or employee of City participate in any decision relating to this Agreement which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of City shall be personally liable in the event of a breach of this Agreement by City.

20.0 AMENDMENTS, CHANGES AND MODIFICATIONS

This Agreement may not be amended, changed, modified, altered or terminated without the prior written consent of the parties hereto.

21.0 EXECUTION OF COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same document.

22.0 NOTICES

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Agreement shall be in writing and shall be given by personal delivery, certified mail, return receipt requested, or overnight guaranteed delivery service and addressed as follows:

If to Borrower: Dedeaux Properties, LLC,
1430 South Eastman Avenue
Commerce, CA 90023-3226
Attn: Mr. Raoul Dedeaux

With copies to: DLA, Piper, Rudnick, Gray, Cary, USLLP
550 South Hope Street, Suite 2300
Los Angeles, CA 90071
Attention _____, Esq.

Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director

Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Community Development Block Grant Division

If to City: The City of Commerce
2535 Commerce Way
Commerce, CA 90040
Attn: City Administrator

With copies to: The City of Commerce
2535 Commerce Way
Commerce, CA 90040
Attention: City Attorney

Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director

Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Community Development Block Grant Division

Notices shall be effective upon receipt, if given by personal delivery, the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail, and one (1) business day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Agreement.

23.0 SEVERABILITY

The invalidity or unenforceability of any one or more provisions of this Agreement will in no way affect any other provision.

24.0 INTERPRETATION

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Agreement are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Agreement by Borrower. Each Party has been represented by counsel in the negotiation of this Agreement, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Agreement, nothing herein or in the Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of the Note shall be interpreted to require in each instance the lesser of (i) the amount stated in the Note; and (ii) the maximum applicable legal limit. Attached hereto for the convenience of the Parties as Exhibit A is a directory indicating the location of definitions for certain defined terms used in this Agreement. In the event of any conflict between the body of this Agreement and Exhibit A, the body of this Agreement shall prevail and supersede. Borrower acknowledges that the Community Development Commission of the County of Los Angeles ("CDC") and the CDC's officials and employees are agents of the COUNTY for purposes of Section 9.4 and the other release and indemnification provisions in the Loan Documents.

25.0 NO WAIVER; CONSENTS

Any waiver by City must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by City to take action on account of any default of Borrower. Consent by City to any act or omission by Borrower will not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for City's consent to be obtained in any future or other instance.

26.0 MISCELLANEOUS.

A. Governing Law.

This Agreement shall be governed by the laws of the State of California and applicable federal law.

B. Termination for Improper Consideration

City may, by written notice to Borrower, Dedeaux Properties, LLC., immediately terminate the right of Borrower to proceed under this Agreement if it is found that consideration, in any form, was offered or given by Borrower, either directly or through an intermediary, to any City officer, employee or agent with the intent of securing the Agreement or securing favorable treatment with respect to the award, amendment or extension of the Agreement or the making of any determinations with respect to the Borrower's performance pursuant to the Agreement. In the event of such termination, City shall be entitled to pursue the same remedies against the Borrower as it could pursue upon an Event of Default.

Borrower shall immediately report any attempt by a City officer or employee to solicit such improper consideration. The report shall be made either to the Commission's Executive Director or to the County Auditor-Controller's Employee Fraud Hotline at (800) 544-6861.

Among other items, such improper consideration may take the form of cash, discounts, service provision of travel or entertainment, or tangible gifts.

C. Commission's Quality Assurance Plan

City or its agent will evaluate Borrower's performance under this Agreement on not less than an annual basis. Such evaluation will include assessing Borrower's compliance with all contract terms and performance standards. Borrower deficiencies which City determines are severe or continuing and that may place performance of the Agreement in jeopardy if not corrected will be reported to City's Board of Commissioners. The report will include improvement/corrective action measures to be taken by Borrower. If improvement does not occur consistent with the corrective action measures within the cure period set forth in Section 15.1 above, City may terminate this Agreement or pursue other remedies as specified in this Agreement.

D. Compliance with Laws

Borrower agrees to be bound by applicable federal, state, and local laws, regulations and directives as they pertain to the performance of the Agreement. To the extent applicable, this Agreement is subject to and incorporates the terms of the Housing and Community Development Act of 1974, as amended by the Cranston-Gonzales National Affordable Housing Act, 1990 and the Code of Federal Regulations (CFR) Part 85, and Section 3 of the Housing and Community Development Act of 1968, As Amended, 12 U.S.C. 1701 Et Seq.

Borrower shall comply with any applicable portions of Section 3 of the Housing and Community Development Act of 1968, as amended 12 U.S.C. 1701 Et Seq. which requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the Project area and contracts for work in connection with the Project be awarded to business concerns which are located in or owned in substantial part by persons residing in the area of the Project.

E. Borrower's Warranty Adherence to Child Support Compliance Program

Borrower acknowledges that County has established a goal of ensuring that all those who benefit financially from County, either directly or indirectly, are in compliance with their court-ordered child, family and spousal obligations in order to mitigate the economic burden otherwise imposed upon City and the taxpayers of County.

As required by County's Child Support Program (County Code Chapter 2.200) and without limiting Borrower's duty under this Agreement to comply with all applicable provisions of law, Borrower warrants that it is now in compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653 a) and California Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or District Attorney Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code of Civil Procedure Section 706.031 and Family Code Section 5246(b).

Borrower understands that it is County's and City's policy to strongly encourage all contractors and borrowers, which includes Borrower, to voluntarily post an entitled "L.A.'s Most Wanted: Delinquent Parents" poster in a prominent position at their place of business. The Child Support Services Department (CSSD) can supply Borrower with the poster to be used, if needed.

F. Safely Surrendered Baby Law

Borrower shall notify and provide to its employees, and shall require each contractor and subcontractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is set forth in the County Loan Agreement and is also available on the Internet at www.babysafela.org for printing purposes.

Borrower acknowledges that the City and County place a high priority on the implementation of the Safely Surrendered Baby Law. Borrower understands that it is the County's and City's policy to encourage all those who benefit financially from County, either directly or indirectly, which includes Borrower, to voluntarily post the County's "Safely Surrendered Baby Law" poster in a prominent position at their place of business. Borrower will also encourage its contractors and subcontractors, if any, to post this poster in a prominent position in their place of business. The Department of Children and Family Services of the County of Los Angeles can supply the Borrower with the poster to be used, if needed.

G. Consideration of GAIN Program Participants For Employment

Should Borrower require additional or replacement personnel after the effective date of this Agreement, Borrower shall give consideration for any such employment openings to participants in the County's Department of Public Social Services' Greater Avenues for Independence (GAIN) Program or General Relief Opportunity for Work (GROW) Program who meet Borrower's minimum qualifications for the open position. The Contractor shall contact the County's GAIN/GROW Division at (626) 927-5354 for a list of GAIN/GROW participants by job category. The Borrower shall contact the County's GAIN/GROW Division at (626) 927-5354 for a list of GAIN/GROW participants by job category.

27.0 REPRESENTATIONS AND WARRANTIES OF BORROWER

Borrower hereby warrants and represents to City that:

A. Organization and Standing. Borrower is a legal entity as described in the Transaction Summary above, duly organized, qualified to operate in California and validly existing and in good standing in the State of California and has all requisite power and authority to enter into and perform its obligations under this Agreement, the Note, the Deed of Trust, the CC&Rs, and all other documents executed in connection herewith.

B. Enforceability. This Agreement, the Note, the Deed of Trust, the CC&Rs, and all other instruments to be executed by Borrower in connection with the Loan constitute the legal, valid and binding obligation of Borrower, without joinder of any other party.

C. Authorization and Consents. The execution, delivery and performance of this Agreement and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement, articles and bylaws, charter, code and ordinances, as applicable, governing Borrower, and have been duly authorized by all necessary action of Borrower's members.

D. Due and Valid Execution. This Agreement and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower.

E. Licenses. Borrower will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance. To Borrower's current actual knowledge, there are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower (other than those as have been previously disclosed in writing to City) which could materially impair its ability to perform its obligations under this Agreement, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its obligations under this Agreement.

G. Default. To Borrower's current actual knowledge, there are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 15.

H. No Violations. The execution and delivery of this Agreement, the Note, and all other documents executed or given hereunder, and the performances thereunder by Borrower, will not constitute a breach of or default under any instrument or agreement to which Borrower may be a party nor, to Borrower's current actual knowledge, will the same constitute a breach of or violate any law or governmental regulation.

28.0 APPROVALS

Any review or approval of any matter by City or any City official or employee under this Agreement shall be solely for the benefit of City, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower, and not City, shall be solely responsible for assuring compliance with laws, the suitability of the Development Site for the Project, the adequacy of the Plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

29.0 GOOD FAITH AND FAIR DEALING

City and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

30.0 ASSIGNMENT OF INTEREST IN THE SITE OR THE PROJECT

30.1 Without the prior written approval of City, which approval City may withhold in its sole and absolute discretion, Borrower shall not (i) sell, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Development Site, the Security Parcels or the Project (excluding tenant leases pursuant to the terms hereof), (ii) permit the Transfer of greater than 49% of its ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis; or (iii) Transfer any of its rights or obligations under the Loan Documents. Borrower hereby agrees that any purported Transfer not approved by City as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Borrower under such a proscribed Transfer shall acquire any rights pursuant to this Agreement. Borrower's leasing of portions of the Project to bona fide tenants is hereby permitted and shall not require City consent. In addition, the following transfers by Borrower shall be permitted and shall not require City consent: (i) transfers for estate planning purposes; (ii) between its members (as they exist on the date of this Agreement); (iii) between its members and their family members (as defined in Section 14.0 above); and (iv) encumbrances of all or any portion of the Development Site which are both subordinate to the CC&Rs and granted in connection with construction or permanent financing for the Project.

30.2 At any time Borrower desires to effect a Transfer hereunder, they shall notify City in writing (the "Transfer Notice") and shall submit to City for its prior written approval (i) all proposed agreements and documents (collectively, the "Transfer Documents") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by Borrower and the proposed transferee to City sufficient to establish and insure that all requirements of this Section 30 have been and will be met. No Transfer Documents shall be approved by City unless they expressly provide for the assumption by the proposed transferee of all of Borrower's obligations under the Loan Documents. The Transfer Notice shall include a request that City consent to the proposed Transfer. City agrees to make its decision on Borrower's request for consent to such Transfer, as promptly as possible, and, in any event, not later than thirty (30) days after City receives the last of the items required by this Section 30. In the event City consents to a proposed Transfer, then such Transfer shall not be effective unless and until City receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Borrower to City.

30.3 Notwithstanding anything in this Agreement which may be or appear to be to the contrary, Borrower agrees that it shall not be permitted to make any Transfer, whether or not City consent is required therefor and even if City has consented thereto, if there exists an Event of Default under this Agreement at the time the Transfer Notice is tendered to City or at any time thereafter until such Transfer is to be effective.

30.4 The provisions of this Section 30 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Borrower under the terms set forth herein.

30.5 Solely with respect to the Development Site the foregoing restrictions in this Section 30 shall apply only until Borrower's job creation and reporting obligations under Section (1) of the CC&Rs have been fully performed.

31.0 ADDITIONAL HUD REQUIREMENTS

31.1 Regulatory Compliance

In carrying out activities utilizing Loan proceeds, and in Project operations, the Borrower agrees to comply with Title I of the Housing and Community Development Act of 1974, as amended (the "Act") and 24 CFR Part 570. Borrower shall also maintain its CDBG Program in compliance with the Act and 24 CFR Part 570.

31.2 Investment of Loan Funds

Until used to pay contractors and other eligible Project costs, any Loan proceeds disbursed for the account of Borrower shall be invested within 72 hours of disbursement of Loan proceeds to Borrower, solely in U.S. Treasury notes, U.S. Treasury bonds, U.S. Treasury bills, or other qualifying federal agency issues that have a full faith credit guarantee from the U.S. Government. In no event shall Borrower invest Loan proceeds in any other investments, including but not limited to bonds and obligations issued by Fannie Mae or Freddy Mac. Borrower shall remit bank statements on the investment account containing Loan proceeds to COUNTY on a monthly basis, until the Loan funds have been fully expended and disbursed for Project costs. Interest earned by Borrower on Loan funds is Program Income, which must be returned to the COUNTY within 30 days such interest was earned in order to use it to repay the Loan.

31.3 Availability of Loan Funds

Notwithstanding any other provision of this Agreement, the availability of Loan proceeds to Borrower is contingent upon HUD's making corresponding funds available to COUNTY under the HUD Loan. COUNTY shall have no liability to the Borrower if HUD for any reason does not provide the HUD Loan proceeds to COUNTY.

[End of Terms and Conditions]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year first above written.

CITY:

Eduardo Oliva, City Attorney

CITY OF COMMERCE, a California municipal corporation

By: _____
Thomas Sykes, City Administrator

APPROVED AS TO FORM:

By: _____

BORROWER:

DEDEAUX PROPERTIES, LLC, a California
limited liability company

By: _____
Raoul Dedeaux, President

By: _____
William J. Smollen, Treasurer

TABLE OF EXHIBITS

EXHIBIT "A"	DIRECTORY OF DEFINED TERMS
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EXHIBIT "C"	LEGAL DESCRIPTION OF SECURITY PARCELS
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EXHIBIT “A” TO DEVELOPER LOAN AGREEMENT

DIRECTORY OF DEFINED TERMS

Each of the following terms is defined in the section of the Loan Agreement referenced in parentheses.

Agreement (preamble)	Loan Documents (Section 6.3(g))
Annual Statement (Section 9.9)	Maturity Date (Section 2.3)
Assignment (Section 5.0)	Note (Section 2.1)
Base Rate (Section 2.2)	Other Financing (Recital B)
Borrower (preamble)	Parties (preamble)
CC&Rs (Section 6.3(c))	Party (preamble)
CDBG (Recital B)	Permitted Encumbrances (Section 6.3(h))
COUNTY (Recital A)	Plans (Section 12.1)
COUNTY Loan (Recital A)	Project (Recital A)
COUNTY Loan Agreement (Recital B)	Security Parcels (Recital B)
City (preamble)	Term (Section 9.2)
Certificate of Occupancy (Section 12.1(b))	Title Company (Section 6.3(h))
Claims (Section 9.4)	Transfer (Section 30.1)
Close of Escrow (Section 6.4)	Transfer Documents (Section 30.2)
Closing Conditions (Section 6.3)	Transfer Notice (Section 30.2)
Closing Costs (Section 8.0)	
Closing Deadline (Section 6.3)	
Completion of the Project (Section 12.1)	
Construction Contract (Section 12.1)	
Contractor (Section 12.1)	
Conversion Date (Section 2.2)	
County (Section 26.0(E))	
Deed of Trust (Section 5)	
Default Rate (Section 2.2)	
Developer UCC-1 (Section 6.3(e))	
Development Site (Recital A)	
Escrow (Section 6.1)	
Escrow Holder (Section 6.1)	
Event of Default (Section 15.1)	
Governmental Restrictions (Section 9.1)	
Hazardous Materials (Section 9.7)	
HUD (Recital A)	
HUD Loan (Section 2.3)	
HUD Note (Section 2.2)	
Loan (Recital A)	

EXHIBIT "B" TO DEVELOPER LOAN AGREEMENT

LEGAL DESCRIPTION OF THE DEVELOPMENT SITE

EXHIBIT "C" TO DEVELOPER LOAN AGREEMENT

LEGAL DESCRIPTION OF THE SECURITY PARCELS

EXHIBIT "D" TO DEVELOPER LOAN AGREEMENT
PROMISSORY NOTE TO BE EXECUTED BY BORROWER

[SEE EXHIBIT "N" TO COUNTY LOAN AGREEMENT]

EXHIBIT "E" TO DEVELOPER LOAN AGREEMENT

DEED OF TRUST

[SEE EXHIBIT "E" TO COUNTY LOAN AGREEMENT]

EXHIBIT "F" TO DEVELOPER LOAN AGREEMENT

CC&R'S

[SEE EXHIBIT "F" TO COUNTY LOAN AGREEMENT]

EXHIBIT "G" TO DEVELOPER LOAN AGREEMENT

COMMERCIAL GUARANTEE AGREEMENT

[SEE EXHIBIT "O" TO COUNTY LOAN AGREEMENT]

EXHIBIT “H” TO DEVELOPER LOAN AGREEMENT

PROJECT DESCRIPTION

[SEE EXHIBIT “H” TO COUNTY LOAN AGREEMENT]

EXHIBIT "I" TO DEVELOPER LOAN AGREEMENT

SITE PLANS

[SEE EXHIBIT "I" TO COUNTY LOAN AGREEMENT]

EXHIBIT "J" TO DEVELOPER LOAN AGREEMENT

UCC-1

[SEE EXHIBIT "L" TO COUNTY LOAN AGREEMENT]

EXHIBIT "K" TO DEVELOPER LOAN AGREEMENT
CITY AND BORROWER CORRESPONDENCE RE USE OF LOAN PROCEEDS

PROMISSORY NOTE

(Section 108 - Commerce Industrial Park – DART Development Project)

\$ 10,000,000 _____, 2005

For value received, the undersigned, DEDEAUX PROPERTIES, LLC, a California limited liability company ("Borrower") whose principal address is set forth hereinbelow, promises to pay to the order of the CITY OF COMMERCE, a California municipal corporation (the "City") at 2535 Commerce Way, Commerce, CA 90040, Attn. City Administrator (or to such designee and/or at such other address as the City may from time to time designate in writing), the principal sum of **Ten Million Dollars (\$ 10,000,000)** (the "Loan"), or such amount as may be advanced hereunder, plus accrued and unpaid interest as provided hereinbelow, in accordance with the terms and conditions of that certain Loan Agreement dated as of _____, 2005, entered into between Borrower and the City (the "Loan Agreement"), and the terms and conditions of this Promissory Note (this "Note"). As set forth in greater detail in the Loan Agreement, the purpose of the Loan is to provide Borrower with funds for use, as more particularly described in Section 6 below, in acquiring land and other expenses associated with acquiring an existing 175,000 square foot building at 4209 Noakes Street and the acquisition of a new 102,000 square foot refrigerated food processing building at 4000 Noakes Street in the City of Commerce.

1. Interest.

1.1 Basic Interest. The Borrower and the City contemplate that the City will initially use proceeds of an interim financing facility to fund the Loan, and will subsequently replace (as an accounting matter) the interim funds with proceeds of a public offering by HUD. The disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which Loan proceeds are first disbursed for the account of Borrower and continuing through the period of the interim financing at a rate per annum equal to the London InterBank Offered Rate (LIBOR- 3 month) in effect on the date of this Note plus twenty (20) basis points (or such higher rate as may be imposed by HUD pursuant to the Variable/Fixed Rate Note # B-04-UC-06-0505 to be executed by Los Angeles County ("COUNTY") in favor of HUD ("HUD Note") in connection with the HUD Loan which is the source of the COUNTY's loan ("COUNTY Loan") to the City, which is the source of the City Loan evidenced by this Note). The interest rate charged to Borrower hereunder shall be the City's actual interest rate under the COUNTY Loan and shall not be augmented or surcharged by the City. From and after the date ("Conversion Date") of funding of the public bond offering, the interest rate applicable to the Loan shall be equal to the interest rate on the bonds, as provided in the HUD Note. The foregoing rates of interest

in effect from time to time are hereinafter sometimes referred to as the "Base Rate". Interest shall be computed on the basis of actual number of days elapsed and a 360-day year. Notwithstanding the foregoing, any amounts not paid when due under this Note or the Loan Agreement shall bear interest from the date due to the date paid at the rate of ten percent (10%) per annum ("Default Rate").

1.2 Payment Dates and Amounts. Subject to approval by HUD in accordance with the HUD Commitment Letter (as defined in the Loan Agreement), the schedule for repaying the Loan shall be as set forth in this Section 1.2. Absent any default or acceleration, Borrower shall initially make quarterly payments to the City of interest only, payable at least eleven working days in advance on the first day of each calendar quarter. From and after the Conversion Date, Borrower shall make semi-annual interest payments for the first two (2) years during the permanent financing period and then semi-annual payments of principal and interest in an amount necessary to amortize the Loan in 20 years as reasonably calculated by the City. The timing of the semi-annual payments shall be at least eleven (11) working days in advance of each August 1 and February 1 or as reasonably determined by the City based on coordination with the timing of debt service payments by COUNTY under the HUD Note. Notwithstanding any other provision of this Note or of the Loan Agreement, unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under the Note shall be due and payable in full on the 20th anniversary of the Close of Escrow for the Loan ("Maturity Date"). Any of the foregoing or other payment terms of this Note are subject to modification by the COUNTY as necessary to meet payment terms under the HUD Loan.

1.3 Payments Due on Sale or Default. Borrower shall repay the Loan in full, with interest and other amounts payable under this Note, the COUNTY Loan or the HUD Loan, upon the occurrence of a sale, transfer, or assignment of the Security Parcels or the Development Site to which the City has not given written consent (unless the City's written consent is not required).

2. Acceleration.

Notwithstanding the payment terms set forth in Section 1 above, upon the occurrence of any "Event of Default" as set forth in Section 9 below, the entire outstanding principal balance of the Note, together with any outstanding interest and other amounts payable hereunder or under the COUNTY Loan or the HUD Loan, shall, at the election of the City and upon notice to Borrower thereof, become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower.

3. Prepayment; Application of Payments.

At any time after the disbursement of the Loan proceeds, and subject to any HUD requirements applicable to prepayment or defeasance of the HUD Loan, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums outstanding without penalty; provided, however, that Borrower shall also pay any prepayment premium or other defeasance costs imposed by HUD in connection with prepayment or defeasance of the HUD Loan. All payments, including any prepayments or funds received upon acceleration pursuant to Section 2 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under this Note or the Loan Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the Base Rate, if any, and then finally toward the remaining principal balance under the Note.

4. Security and Source of Payment.

Borrower's obligations under this Note and the Loan Agreement shall, at all times during which any amount remains outstanding, be secured by the deed of trust ("Deed of Trust") of even date herewith, and of which the City is the beneficiary, recorded against the Security Parcels. The security interest in the Property granted to the City pursuant to the Deed of Trust shall be an unsubordinated first priority lien on the Security Parcels. Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this Note, the Loan Agreement or the Loan, the Loan is a nonrecourse obligation of Borrower and, in the event of the occurrence of an Event of Default, the City's only recourse under the Deed of Trust shall be against the Security Parcels, the proceeds thereof, the rents and other income arising from its use and occupancy following an Event of Default as provided in the Deed of Trust, the One Million Dollar (\$1,000,000) **Letter of Credit (or Certificate of Deposit)** in the amount equal to ten (10) percent of the initial loan amount provided by the borrower, and the Commercial Guaranty Agreements provided by the Borrower, and any other collateral given as security for repayment of the Loan. Borrower acknowledges that this Note, the Commercial Guaranty Agreements, and the Deed of Trust are being assigned by the City to COUNTY.

COUNTY shall surrender and execute a release the Letter of Credit if all of the following conditions are satisfied: (i) Cash and/or cash equivalents in the total amount of One Million Dollars (\$1,000,000) is assigned and transferred to the COUNTY and; (ii) Cash and/or cash equivalents is in deposited in an escrow account held by the COUNTY's escrow agent pursuant to the Escrow Agreement until the loan is paid in full.

5. Obligation of Borrower Unconditional.

The obligation of Borrower to repay the Loan and all accrued interest thereon shall be absolute and unconditional, and until such time as all of the outstanding principal of and interest on this Note shall have been fully paid, Borrower agrees that it: (a) will use the funds solely for the purposes set forth herein; and (b) will not terminate or suspend any payment or obligations under this Note, the Loan Agreement, or any other document executed hereunder or in connection herewith for any cause, including without limitation, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, or any duty, liability or obligation arising out of or in connection with this Note, the Loan Agreement or any document executed hereunder or in connection herewith.

6. Purpose of Loan.

Proceeds of the Loan shall be used only for the purposes specified in Section 8 of the Loan Agreement, including but not limited to use in acquiring the Development Site.

7. Covenants of Borrower.

As additional consideration for the making of the Loan by the City, Borrower covenants as follows:

7.1 Compliance with Loan Agreement and other Loan Documents. Borrower shall comply with all of its obligations under the Loan Agreement, the Note, the other Loan Documents executed by the Borrower. Borrower shall not cause City to be in default of the COUNTY Loan. Any amounts payable by Borrower under the Loan Agreement and the Note (other than amounts also payable hereunder) shall be deemed added to the principal amount of the Loan payable hereunder.

7.2 Other Loans. Borrower shall comply with all monetary and non-monetary covenants associated with any loan secured by an interest in the Security Parcels, the Development Site and/or the Project. Borrower shall provide to the City a copy of any notice of default within three business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting the City, to the extent the City in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by the City in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the Loan. With respect to the Development Site and the Project (Phase III) only, the requirements of this Section 7.2 shall apply only until the later of (i)

Borrower's fulfillment of the job creation requirements in Section (1) of the CC&Rs; or (ii) three years following the date of this Note.

8. Assignment of this Note.

This Note is being assigned by City to COUNTY concurrent with its execution, and notwithstanding any other provision hereof, all payments, performance, and requests for consent by Borrower shall be made directly to the COUNTY, with a copy to the City.

This Note shall be assignable by Borrower only if Borrower obtains the prior express written consent of the City, which consent may be withheld by the City in its sole discretion. Notwithstanding anything that may be or appear to be herein to the contrary, no purported assignment of this Note and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Governmental Restrictions. The City's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by the City including, without limitation, any and all documents deemed necessary by the City to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) the City's approval of the financial and credit worthiness of such proposed assignee. Notwithstanding the foregoing, the City does consent to certain transfers as described in the second paragraph of Section 14 of the Loan Agreement.

9. Events of Default and Remedies.

A. Borrower Events of Default. The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("Event of Default"):

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Loan Agreement or any of the Loan Documents, without curing such failure within ten (10) days after receipt of written notice of such default from the City (or from any party authorized by the City to deliver such notice as identified by the City in writing to Borrower). Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to a failure by Borrower to timely repay the Loan at the Maturity Date of the Note;

(2) The failure of Borrower to perform any non-monetary covenant or obligation hereunder or under the terms of this Note or any of the Loan Documents, without curing such failure within thirty (30) days after receipt of written notice of such default from the City (or from any party authorized by the City to deliver such notice as identified by the City in writing to Borrower) specifying the nature of the event or

deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in subparts (3) through (9) below;

(3) The falsity of any material representation or breach of any material warranty made by Borrower under the terms of this Note, the Loan Agreement or the Deed of Trust;

(4) Borrower or any constituent member or partner (excluding members or partners having less than a 33% interest in the aggregate), or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(5) If a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower, or any constituent member or partner (excluding members or partners having less than a 33% interest in the aggregate), or majority shareholder, of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the construction of the Project, voluntary or involuntary cessation of the operation of the Project for a continuous period of more than three hundred sixty (360) days;

(7) The City shall at any time or times during the term of the Loan reasonably determine that the outstanding balance of the Loan (excluding interest) exceeds eighty-five percent (85%) of the fair market value of the Security Parcels;

(8) Borrower shall suffer or attempt to effect a Transfer, in violation of Section 14 or Section 30 of the Loan Agreement;

(9) Borrower shall be in default under the terms of Other Financing or any other secured or unsecured obligation relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default. This paragraph 9(A)(9) shall apply only until the later of (i) Borrower's fulfillment of the job creation requirements in Section (1) of the CC&Rs; or (ii) three years following the date of this Note.

B. City Remedies. Upon the occurrence of an Event of Default hereunder, the City may, in its sole discretion, take any one or more of the following actions:

(1) By notice to Borrower, except in the case of an Event of Default under Section 9(A)(3) or Section 9(A)(4) in which event no notice shall be required, declare the entire then unpaid balance of the Loan and any accrued interest and other amounts immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are expressly waived. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(2) Subject to the nonrecourse provisions of Section 4 above, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of the City, to collect the amounts then due and thereafter to become due hereunder, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Note or under any other document executed in connection herewith;

(3) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default which is occasioned by Borrower's failure to pay money, whether under this Note or any other provisions of the Loan Documents, the City may, but shall not be obligated to, make such payment. If such payment is made by the City, Borrower shall deposit with the City, upon written demand therefor, such sum plus interest at the Default Rate. In either case, the Event of Default with respect to which any such payment has been made by the City shall not be deemed cured until such repayment

(as the case may be) has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under this Note;

(4) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default described in Section 9(A)(4) or 9(A)(5) hereof, the City shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of the City and its counsel to protect the interests of the City and to collect and receive any monies or other property in satisfaction of its claim.

C. No Remedy Exclusive. No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Note or now existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as the City may determine in its sole discretion, subject to the nonrecourse provisions of Section 4 above. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by the City, subject to the nonrecourse provisions of Section 4 above. In order to entitle the City to exercise any right or remedy reserved to it under this Note, no notice shall be required except as expressly provided herein.

D. City Default and Borrower Remedies. Upon default or failure of the City to meet any of its obligations under this Note without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

(1) Demand and obtain payment from the City of any sums due to or for the benefit of Borrower pursuant to the express terms of this Note;

(2) Bring an action in equitable relief seeking the specific performance by the City of the terms and conditions of this Note or seeking to enjoin any act by the City which is prohibited hereunder;

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Note;

Notwithstanding the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from the City, COUNTY or HUD arising out of or in connection with this Note, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

10. Agreement to Pay Attorney's Fees and Expenses.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this Note or any of the Loan Documents as a consequence of any default, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this Note or any other Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse the City, COUNTY and HUD upon demand by the City, COUNTY and/or HUD for all costs incurred by the City, COUNTY and HUD in connection with the enforcement of this Note, and any other Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether the City, COUNTY and/or HUD is a creditor in such proceeding or otherwise.

11. Conflict of Interest; No Individual Liability.

No official or employee of the City shall have any personal interest, direct or indirect, in this Note, nor shall any official or employee of the City participate in any decision relating to this Note which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of the City shall be personally liable in the event of a breach of this Note by the City.

12. Amendments, Changes and Modifications.

This Note may not be amended, changed, modified, or altered without the prior written consent of the parties hereto.

13. Notices.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Note shall be in writing and shall be given by personal delivery, certified mail, return receipt requested, or overnight guaranteed delivery service and addressed as follows:

If to Borrower: Dedeaux Properties, LLC,
1430 Eastman Avenue
Commerce, CA 90023-3226
Attn: Mr. Raoul Dedeaux

With copies to: DLA, Piper, Rudnick, Gray, Cary, USLLP
550 South Hope Street, Suite 2300
Los Angeles, CA 90071
Attention _____, Esq.

Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director

Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Community Development Block Grant Division

If to City: The City of Commerce
2535 Commerce Way
Commerce, CA 90040
Attn: City Administrator

With copies to: The City of Commerce
2535 Commerce Way
Commerce, CA 90040
Attention: City Attorney

Community Dev. Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director

Community Dev. Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Community Development Block Grant Division

Notices shall be effective upon receipt, if given by personal delivery, the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail, and one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Note.

14. Severability.

The invalidity or unenforceability of any one or more provisions of this Note will in no way affect any other provision.

15. Interpretation.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Note are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Agreement by Borrower. Time is of the essence in the performance of this Note by Borrower. Each Party has been represented by counsel in the negotiation of this Note, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Note, nothing herein or in this Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of this Note shall be interpreted to require in each instance the lesser of (i) the amount stated in this Note; and (ii) the maximum applicable legal limit. Defined terms not otherwise defined herein shall have the meaning assigned to them by the Loan Agreement.

16. No Waiver; Consents.

Any waiver by the City must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by the City to take action on account of any default of Borrower. Consent by the City to any act or omission by Borrower will not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the City's consent to be obtained in any future or other instance.

17. Miscellaneous.

A. Governing Law.

This Note shall be governed by the laws of the State of California and applicable federal law and County ordinances, including but not limited to those stated hereinbelow and those stated in the Loan Agreement and in the loan agreement between the City and the County.

B. Termination for Improper Consideration

The City may, by written notice to Borrower, immediately terminate the right of Borrower to proceed under this Note if it is found that consideration, in any form, was offered or given by Borrower, either directly or through an intermediary, to any City officer, employee or agent with the intent of securing the Loan Agreement or securing favorable treatment with respect to the award, amendment or extension of the Loan Agreement or securing favorable treatment with respect to the award, amendment or extension of the Loan Agreement or the making of any determinations with respect to the Borrower's performance pursuant to the Loan Agreement. In the event of such termination, the City shall be entitled to pursue the same remedies against the Borrower as it could pursue upon an Event of Default by the Borrower.

The Borrower shall immediately report any attempt by any public officer or employee to solicit such improper consideration. The report shall be made either to the Commission's Executive Director or to the County Auditor-Controller's Employee Fraud Hotline at (800) 544-6861.

Among other items, such improper consideration may take the form of cash, discounts, service provision of travel or entertainment, or tangible gifts.

C. Commission's Quality Assurance Plan

The COUNTY, as the assignee of this Note, or its agent, will evaluate Borrower's performance under this Note on not less than an annual basis. Such evaluation will include assessing Borrower's compliance with all contract terms and performance standards. Borrower deficiencies which the COUNTY determines are severe or continuing and that may place performance of this Note in jeopardy if not corrected will be reported to the COUNTY's Board of Commissioners. The report will include improvement/corrective action measures to be taken by Borrower. If improvement does not occur consistent with the corrective action measures within the cure period set forth in Section 9.A. above, the COUNTY, as the assignee of this Note, may terminate the Loan Agreement or pursue other remedies as specified in the Loan Agreement or this Note.

D. Compliance with Laws

Borrower agrees to be bound by applicable federal, state, and local laws, regulations and directives as they pertain to the performance of the Note. To the extent applicable, this Note is subject to and incorporates the terms of the Housing and Community Development Act of 1974, as amended by the Cranston-Gonzales National Affordable Housing Act, 1990 and the Code of Federal Regulations (CFR) Part 85, and Section 3 of the Housing and Community Development Act of 1968, As Amended, 12 U.S.C. 1701 Et Seq.

Borrower shall comply with any applicable portions of Section 3 of the Housing and Community Development Act of 1968, as amended 12 U.S.C. 1701 Et Seq. which requires that to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the Project area and contracts for work in connection with the Project be awarded to business concerns which are located in or owned in substantial part by persons residing in the area of the Project.

E. Borrower's Warranty Adherence to Child Support Compliance Program

Borrower acknowledges that County has established a goal of ensuring that all those who benefit financially from County, either directly or indirectly, are in compliance with their court-ordered child, family and spousal obligations in order to mitigate the economic burden otherwise imposed upon City and the taxpayers of County.

As required by County's Child Support Program (County Code Chapter 2.200) and without limiting Borrower's duty under this Agreement to comply with all applicable provisions of law, Borrower warrants that it is now in compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653 a) and California Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or District Attorney Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code

of Civil Procedure Section 706.031 and Family Code Section 5246(b).

Borrower understands that it is County's and City's policy to strongly encourage all contractors and borrowers, which includes Borrower, to voluntarily post an entitled "L.A.'s Most Wanted: Delinquent Parents" poster in a prominent position at their place of business. The Child Support Services Department (CSSD) can supply Borrower with the poster to be used, if needed.

F. Safely Surrendered Baby Law

Borrower shall notify and provide to its employees, and shall require each contractor and subcontractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is set forth in the County Loan Agreement and is also available on the Internet at www.babysafela.org for printing purposes.

Borrower acknowledges that the City and County place a high priority on the implementation of the Safely Surrendered Baby Law. Borrower understands that it is the County's and City's policy to encourage all those who benefit financially from County, either directly or indirectly, which includes Borrower, to voluntarily post the County's "Safely Surrendered Baby Law" poster in a prominent position at their place of business. Borrower will also encourage its contractors and subcontractors, if any, to post this poster in a prominent position in their place of business. The Department of Children and Family Services of the County of Los Angeles can supply the Borrower with the poster to be used, if needed.

G. Consideration of GAIN Program Participants For Employment

Should Borrower require additional or replacement personnel after the effective date of this Note, Borrower shall give consideration for any such employment openings to participants in the County's Department of Public social Services' Greater Avenues for Independence (GAIN) Program who meet Borrower's minimum qualifications for the open position. The County will refer GAIN participants by job category to the Borrower.

18. Representations and Warranties of Borrower.

Borrower hereby warrants and represents to the City that:

A. Organization and Standing. Borrower is a California legal entity as described in the Transaction Summary set forth in the Loan Agreement, duly organized, qualified to operate in California and validly existing and in good standing under all applicable laws,

and has all requisite power and authority to enter into and perform its obligations under this Note, this Note, the Deed of Trust, the CC&Rs, and all other documents executed in connection herewith.

B. Enforceability. This Note and all other instruments to be executed by Borrower in connection with the Loan constitute the legal, valid and binding obligation of Borrower, without joinder of any other party.

C. Authorization and Consents. The execution, delivery and performance of this Note and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement, articles and bylaws, charter, code and ordinances, as applicable, governing Borrower and have been duly authorized by all necessary action of Borrower's members.

D. Due and Valid Execution. This Note and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower.

E. Licenses. Borrower will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance. To Borrower's current actual knowledge, there are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower (other than those as have been previously disclosed in writing to the City) which could materially impair its ability to perform its obligations under this Note, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its obligations under this Note.

G. Default. To Borrower's current actual knowledge, there are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 9.

H. No Violations. The execution and delivery of this Note, the Loan Agreement and all other documents executed or given thereunder, and the performances hereunder and thereunder by Borrower will not constitute a breach of or default under any instrument or agreement to which Borrower may be a party nor, to Borrower's current actual knowledge, will the same constitute a breach of or violate any law or governmental regulation.

19. Approvals.

Any review or approval of any matter by the City or any City official or employee under this Note shall be solely for the benefit of the City, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and not the City shall be solely responsible for assuring compliance with laws, the suitability of the Development Site for the Project, the adequacy of the Plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

20. Good Faith and Fair Dealing.

The City and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

21. Waiver.

Borrower agrees that it will still be liable for repayment of this Note, subject to the nonrecourse provision of Section 4 above. even if the holder hereof does not follow the procedures of presentment, protest, demand, diligence, notice of dishonor and of nonpayment, which requirements are hereby waived. Failure of the City or other holder hereof to exercise any right or remedy hereunder shall not constitute a waiver of any future or other default. No acceptance of a past due installment or indulgence granted from time to time shall be construed to be a waiver of, or to preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of any other rights which the City may have.

IN WITNESS WHEREOF, Borrower has executed this Note as of the date and year first above written.

BORROWER:

DEDEAUX PROPERTIES, LLC, a California limited liability company

By: _____
Raoul Dedeaux, President

By: _____
William J. Smollen, Treasurer

COMMERCIAL GUARANTY AGREEMENT

Principal	Loan Date	Maturity	Loan No.	Call/Coll	Officer	Initials
\$10,000,000			B-04-UC06-0505			DV

References in the boxed areas above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "" "" has been omitted due to text length limitations.

Borrower: Dedeaux Properties, LLC
4000 Noakes Street
Commerce, CA 90023

Lender: City of Commerce
2535 Commerce Way
Commerce, CA 90040

Guarantor: Dart Entities, Inc.
4000 Noakes Street
Commerce, CA 90023

AMOUNT OF GUARANTY. This is a guaranty of payment of the Note, including without limitation the principal Note amount of Ten Million & 00/100 Dollars (\$10,000,000.00).

GUARANTY. For good and valuable consideration, Dart Entities, Inc. ("Guarantor") absolutely and unconditionally guarantees and promises to pay to City of Commerce ("Lender") or its order, in legal tender of the United States of America, the Indebtedness (as that term is defined below) of Dedeaux Properties, LLC ("Borrower") to Lender on the terms and conditions set forth in this Guaranty.

MAXIMUM LIABILITY. The maximum liability of Guarantor under this Guaranty shall not exceed at any one time the amount of the Indebtedness described herein, plus all costs and expenses of (A) enforcement of this Guaranty and (B) collection and sale of any collateral securing this Guaranty.

The above limitation on liability is not a restriction on the amount of the Indebtedness of Borrower to Lender either in the aggregate or at any one time. If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, Lender's rights under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. Guarantor's liability will be Guarantor's aggregate liability under the terms of this Guaranty and any such other unexpired guaranties.

INDEBTEDNESS GUARANTEED. The Indebtedness guaranteed by this Guaranty includes the Note, including (a) all principal, (b) all interest, (c) all late charges, (d) all loan fees and loan charges, and (e) all collection costs and expenses relating to the Note or to any collateral for the Note. Collection costs and expenses include without limitation all of Lender's attorneys' fees.

DURATION OF GUARANTY. This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all Indebtedness shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty.

GUARANTOR'S AUTHORIZATION TO LENDER. Guarantor authorizes Lender, **without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time:** (A) to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the Indebtedness or any part of the Indebtedness, including increases and decreases of the rate of interest on the Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness; (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the Indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

GUARANTOR'S REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, and all future financial information which will be provided to Lender is and will be true and correct in all material respects and fairly present Guarantor's financial condition as of the dates the financial information is provided; (G) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Lender and no event has occurred which may materially adversely affect Guarantor's financial condition; (H) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (I) Lender has made no representation to Guarantor as to the creditworthiness of Borrower; and (J) Guarantor has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Guarantor agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information, Lender shall have no obligation to disclose to Guarantor any information or documents acquired by Lender in the course of its relationship with Borrower.

GUARANTOR'S WAIVERS. Except as prohibited by applicable law, Guarantor waives any right to require Lender to (A) make any presentment, protest, demand, or notice of any kind, including notice of change of any terms of repayment of the Indebtedness, default by Borrower or any other guarantor or surety, any action or nonaction taken by Borrower, Lender, or any other guarantor or surety of Borrower, or the creation of new or additional Indebtedness; (B) proceed against any person, including Borrower, before proceeding against Guarantor; (C) proceed against any collateral for the Indebtedness, including Borrower's collateral, before proceeding against Guarantor; (D) apply any payments or proceeds received against the Indebtedness in any order; (E) give notice of the terms, time, and place of any sale of the collateral pursuant to the Uniform Commercial Code or any other law governing such sale; (F) disclose any information about the Indebtedness, the Borrower, the collateral, or any other guarantor or surety, or about any action or nonaction of Lender; or (G) pursue any remedy or course of action in Lender's power whatsoever.

Guarantor also waives any and all rights or defenses arising by reason of (H) any disability or other defense of Borrower, any other guarantor or surety or any other person; (I) the cessation from any cause whatsoever, other than payment in full, of the Indebtedness; (J) the application of proceeds of the Indebtedness by Borrower for purposes other than the purposes understood and intended by Guarantor and Lender; (K) any act of omission or commission by Lender which directly or indirectly results in or contributes to the discharge of Borrower or any other guarantor or surety, or the Indebtedness, or the loss or release of any collateral by operation of law or otherwise; (L) any statute of limitations in any action under this Guaranty or on the Indebtedness; or (M) any modification or change in terms of the Indebtedness, whatsoever, including without limitation, the renewal, extension, acceleration, or other change in the time payment of the Indebtedness is due and any change in the interest rate.

Guarantor waives all rights and any defenses arising out of an election of remedies by Lender even though that the election of remedies, such as a non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantor's rights of subrogation and reimbursement against Borrower by operation of Section 580d of the California Code of Civil Procedure or otherwise.

Guarantor waives all rights and defenses that Guarantor may have because Borrower's obligation is secured by real property. This means among other things: (1) Lender may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by Borrower. (2) If Lender forecloses on any real property collateral pledged by Borrower: (a) the amount of Borrower's obligation may be reduced only by the price for which the collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price. (b) Lender may collect from Guarantor even if Lender, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because Borrower's obligation is secured by real property. These rights and defenses include, but are not limited to, any rights and defenses based upon Section 580a, 580b, 580d, or 726 of the Code of Civil Procedure.

Guarantor understands and agrees that the foregoing waivers are unconditional and irrevocable waivers of substantive rights and defenses to which Guarantor might otherwise be entitled under state and federal law. Guarantor acknowledges that Guarantor has provided these waivers of rights and defenses with the intention that they be fully relied upon by Lender. Guarantor further understands and agrees that this Guaranty is a separate and independent contract between Guarantor and Lender, given for full and ample consideration, and is enforceable on its own terms. Until all Indebtedness is paid in full, Guarantor waives any right to enforce any remedy Guarantor may have against the Borrower or any other guarantor, surety, or other person, and further, Guarantor waives any right to participate in any collateral for the Indebtedness now or hereafter held by Lender.

GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS. Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

SUBORDINATION OF BORROWER'S DEBTS TO GUARANTOR. Guarantor agrees that the Indebtedness of Borrower to Lender, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim

Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the Indebtedness of Borrower to Lender. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the Indebtedness. If Lender so requests, any notes or credit agreements now or hereafter evidencing any debts or obligations of Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and shall be delivered to Lender. Guarantor agrees, and Lender is hereby authorized, in the name of Guarantor, from time to time to file financing statements and continuation statements and to execute documents and to take such other actions as Lender deems necessary or appropriate to perfect, preserve and enforce its rights under this Guaranty.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Guaranty:

Amendments. This Guaranty, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Arbitration. Borrower and Guarantor and Lender agree that all disputes, claims and controversies between them whether individual, joint, or class in nature, arising from this Guaranty or otherwise, including without limitation contract and tort disputes, shall be arbitrated pursuant to the Rules of the American Arbitration Association in effect at the time the claim is filed, upon request of either party. No act to take or dispose of any Collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order; invoking a power of sale under any deed of trust or mortgage; obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property, including taking or disposing of such property with or without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right, concerning any Collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the Collateral, shall also be arbitrated, provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of any party. Borrower and Guarantor and Lender agree that in the event of an action for judicial foreclosure pursuant to California Code of Civil Procedure Section 726, or any similar provision in any other state, the commencement of such an action will not constitute a waiver of the right to arbitrate and the court shall refer to arbitration as much of such action, including counterclaims, as lawfully may be referred to arbitration. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. Nothing in this Guaranty shall preclude any party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an

arbitration proceeding shall be deemed the commencement of an action for these purposes. The Federal Arbitration Act shall apply to the construction, interpretation, and enforcement of this arbitration provision.

Attorneys' Fees; Expenses. Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

Governing Law. This Guaranty will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Guaranty has been accepted by Lender in the State of California.

Choice of Venue. If there is a lawsuit, Guarantor agrees upon Lender's request to submit to the jurisdiction of the courts of Los Angeles County, State of California.

Integration. Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parol evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph.

Interpretation. In all cases where there is more than one Borrower or Guarantor, then all words used in this Guaranty in the singular shall be deemed to have been used in the plural where the context and construction so require; and where there is more than one Borrower named in this Guaranty or when this Guaranty is executed by more than one Guarantor, the words "Borrower" and "Guarantor" respectively shall mean all and any one or more of them. The words "Guarantor," "Borrower," and "Lender" include the heirs, successors, assigns, and transferees of each of them. If a court finds that any provision of this Guaranty is not valid or should not be enforced, that fact by itself will not mean that the rest of this Guaranty will not be valid or enforced. Therefore, a court will enforce the rest of the provisions of this Guaranty even if a provision of this Guaranty may be found to be invalid or unenforceable. If any one or more of Borrower or Guarantor are corporations, partnerships, limited liability companies, or similar entities, it is not necessary for Lender to inquire into the powers of Borrower or Guarantor or of the officers, directors, partners, managers, or other agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

Notices. Any notice required to be given under this Guaranty shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Guaranty. Any party may change its address for notices under this Guaranty by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Lender informed at all times of Guarantor's current address. Unless otherwise provided or required by law, if there is more than one Guarantor, any notice given by Lender to any Guarantor is deemed to be notice given to all Guarantors.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Guaranty shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Lender, nor any course of dealing between Lender and Guarantor, shall constitute a waiver of any of Lender's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Guaranty, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interest, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means Dedeaux Properties, LLC and includes all co-signers and co-makers signing the Note.

Guarantor. The word "Guarantor" means each and every person or entity signing this Guaranty, including without limitation Dart Entities, Inc..

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Indebtedness. The word "Indebtedness" means Borrower's indebtedness to Lender as more particularly described in this Guaranty.

Lender. The word "Lender" means County of City of Commerce, its successors and assigns.

Note. The word "Note" means the promissory note dated August 30, 2005, in the original principal amount of \$10,000,000.00 from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

EACH UNDERSIGNED GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, EACH GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO LENDER AND THAT THE GUARANTY WILL CONTINUE UNTIL TERMINATED IN THE MANNER SET FORTH IN THE SECTION TITLED "DURATION OF GUARANTY". NO FORMAL ACCEPTANCE BY LENDER IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED _____

GUARANTOR:

DART ENTITIES, INC.

By: _____

Raoul Dedeaux, President of Dart Entities, Inc.

By: _____

William J. Smollen, Treasurer of Dart Entities, Inc.

COMMERCIAL GUARANTY AGREEMENT

Principal	Loan Date	Maturity	Loan No.	Call/Coll	Officer	Initials
\$10,000,000			B-04-UC06-0505			DV

References in the boxed areas above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "" "" has been omitted due to text length limitations.

Borrower: Dedeaux Properties, LLC
4000 Noakes Street
Commerce, CA 90023

Lender: City of Commerce
2535 Commerce Way
Commerce, CA 90040

Guarantor: DART Warehouse Corporation
4000 Noakes Street
Commerce, CA 90023

AMOUNT OF GUARANTY. This is a guaranty of payment of the Note, including without limitation the principal Note amount of Ten Million & 00/100 Dollars (\$10,000,000.00).

GUARANTY. For good and valuable consideration, DART Warehouse Corporation ("Guarantor") absolutely and unconditionally guarantees and promises to pay to City of Commerce ("Lender") or its order, in legal tender of the United States of America, the Indebtedness (as that term is defined below) of Dedeaux Properties, LLC ("Borrower") to Lender on the terms and conditions set forth in this Guaranty.

MAXIMUM LIABILITY. The maximum liability of Guarantor under this Guaranty shall not exceed at any one time the amount of the Indebtedness described herein, plus all costs and expenses of (A) enforcement of this Guaranty and (B) collection and sale of any collateral securing this Guaranty.

The above limitation on liability is not a restriction on the amount of the Indebtedness of Borrower to Lender either in the aggregate or at any one time. If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, Lender's rights under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. Guarantor's liability will be Guarantor's aggregate liability under the terms of this Guaranty and any such other unexpired guaranties.

INDEBTEDNESS GUARANTEED. The Indebtedness guaranteed by this Guaranty includes the Note, including (a) all principal, (b) all interest, (c) all late charges, (d) all loan fees and loan charges, and (e) all collection costs and expenses relating to the Note or to any collateral for the Note. Collection costs and expenses include without limitation all of Lender's attorneys' fees.

DURATION OF GUARANTY. This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all Indebtedness shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty.

GUARANTOR'S AUTHORIZATION TO LENDER. Guarantor authorizes Lender, **without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time:** (A) to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the Indebtedness or any part of the Indebtedness, including increases and decreases of the rate of interest on the Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness; (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the Indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

GUARANTOR'S REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, and all future financial information which will be provided to Lender is and will be true and correct in all material respects and fairly present Guarantor's financial condition as of the dates the financial information is provided; (G) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Lender and no event has occurred which may materially adversely affect Guarantor's financial condition; (H) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (I) Lender has made no representation to Guarantor as to the creditworthiness of Borrower; and (J) Guarantor has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Guarantor agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information, Lender shall have no obligation to disclose to Guarantor any information or documents acquired by Lender in the course of its relationship with Borrower.

GUARANTOR'S WAIVERS. Except as prohibited by applicable law, Guarantor waives any right to require Lender to (A) make any presentment, protest, demand, or notice of any kind, including notice of change of any terms of repayment of the Indebtedness, default by Borrower or any other guarantor or surety, any action or nonaction taken by Borrower, Lender, or any other guarantor or surety of Borrower, or the creation of new or additional Indebtedness; (B) proceed against any person, including Borrower, before proceeding against Guarantor; (C) proceed against any collateral for the Indebtedness, including Borrower's collateral, before proceeding against Guarantor; (D) apply any payments or proceeds received against the Indebtedness in any order; (E) give notice of the terms, time, and place of any sale of the collateral pursuant to the Uniform Commercial Code or any other law governing such sale; (F) disclose any information about the Indebtedness, the Borrower, the collateral, or any other guarantor or surety, or about any action or nonaction of Lender; or (G) pursue any remedy or course of action in Lender's power whatsoever.

Guarantor also waives any and all rights or defenses arising by reason of (H) any disability or other defense of Borrower, any other guarantor or surety or any other person; (I) the cessation from any cause whatsoever, other than payment in full, of the Indebtedness; (J) the application of proceeds of the Indebtedness by Borrower for purposes other than the purposes understood and intended by Guarantor and Lender; (K) any act of omission or commission by Lender which directly or indirectly results in or contributes to the discharge of Borrower or any other guarantor or surety, or the Indebtedness, or the loss or release of any collateral by operation of law or otherwise; (L) any statute of limitations in any action under this Guaranty or on the Indebtedness; or (M) any modification or change in terms of the Indebtedness, whatsoever, including without limitation, the renewal, extension, acceleration, or other change in the time payment of the Indebtedness is due and any change in the interest rate.

Guarantor waives all rights and any defenses arising out of an election of remedies by Lender even though that the election of remedies, such as a non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantor's rights of subrogation and reimbursement against Borrower by operation of Section 580d of the California Code of Civil Procedure or otherwise.

Guarantor waives all rights and defenses that Guarantor may have because Borrower's obligation is secured by real property. This means among other things: (1) Lender may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by Borrower. (2) If Lender forecloses on any real property collateral pledged by Borrower: (a) the amount of Borrower's obligation may be reduced only by the price for which the collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price. (b) Lender may collect from Guarantor even if Lender, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because Borrower's obligation is secured by real property. These rights and defenses include, but are not limited to, any rights and defenses based upon Section 580a, 580b, 580d, or 726 of the Code of Civil Procedure.

Guarantor understands and agrees that the foregoing waivers are unconditional and irrevocable waivers of substantive rights and defenses to which Guarantor might otherwise be entitled under state and federal law. Guarantor acknowledges that Guarantor has provided these waivers of rights and defenses with the intention that they be fully relied upon by Lender. Guarantor further understands and agrees that this Guaranty is a separate and independent contract between Guarantor and Lender, given for full and ample consideration, and is enforceable on its own terms. Until all Indebtedness is paid in full, Guarantor waives any right to enforce any remedy Guarantor may have against the Borrower or any other guarantor, surety, or other person, and further, Guarantor waives any right to participate in any collateral for the Indebtedness now or hereafter held by Lender.

GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS. Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

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Interpretation. In all cases where there is more than one Borrower or Guarantor, then all words used in this Guaranty in the singular shall be deemed to have been used in the plural where the context and construction so require; and where there is more than one Borrower named in this Guaranty or when this Guaranty is executed by more than one Guarantor, the words "Borrower" and "Guarantor" respectively shall mean all and any one or more of them. The words "Guarantor," "Borrower," and "Lender" include the heirs, successors, assigns, and transferees of each of them. If a court finds that any provision of this Guaranty is not valid or should not be enforced, that fact by itself will not mean that the rest of this Guaranty will not be valid or enforced. Therefore, a court will enforce the rest of the provisions of this Guaranty even if a provision of this Guaranty may be found to be invalid or unenforceable. If any one or more of Borrower or Guarantor are corporations, partnerships, limited liability companies, or similar entities, it is not necessary for Lender to inquire into the powers of Borrower or Guarantor or of the officers, directors, partners, managers, or other agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

Notices. Any notice required to be given under this Guaranty shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Guaranty. Any party may change its address for notices under this Guaranty by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Lender informed at all times of Guarantor's current address. Unless otherwise provided or required by law, if there is more than one Guarantor, any notice given by Lender to any Guarantor is deemed to be notice given to all Guarantors.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Guaranty shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Lender, nor any course of dealing between Lender and Guarantor, shall constitute a waiver of any of Lender's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Guaranty, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interest, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means Dedeaux Properties, LLC and includes all co-signers and co-makers signing the Note.

Guarantor. The word "Guarantor" means each and every person or entity signing this Guaranty, including without limitation DART Warehouse Corporation.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Indebtedness. The word "Indebtedness" means Borrower's indebtedness to Lender as more particularly described in this Guaranty.

Lender. The word "Lender" means County of City of Commerce, its successors and assigns.

Note. The word "Note" means the promissory note dated August 30, 2005, in the original principal amount of \$10,000,000.00 from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

EACH UNDERSIGNED GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, EACH GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO LENDER AND THAT THE GUARANTY WILL CONTINUE UNTIL TERMINATED IN THE MANNER SET FORTH IN THE SECTION TITLED "DURATION OF GUARANTY". NO FORMAL ACCEPTANCE BY LENDER IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED _____

GUARANTOR:

DART WAREHOUSE CORPORATION

By:_____

Raoul Dedeaux, President of DART Warehouse Corporation

By:_____

William J. Smollen, Treasurer of DART Warehouse Corporation

COMMERCIAL GUARANTY AGREEMENT

Principal	Loan Date	Maturity	Loan No.	Call/Coll	Officer	Initials
\$10,000,000			B-04-UC06-0505			DV

References in the boxed areas above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "" "" has been omitted due to text length limitations.

Borrower: Dedeaux Properties, LLC
4000 Noakes Street
Commerce, CA 90023

Lender: City of Commerce
2535 Commerce Way
Commerce, CA 90040

Guarantor: DART Transportation Services
4000 Noakes Street
Commerce, CA 90023

AMOUNT OF GUARANTY. This is a guaranty of payment of the Note, including without limitation the principal Note amount of Ten Million & 00/100 Dollars (\$10,000,000.00).

GUARANTY. For good and valuable consideration, DART Transportation Services ("Guarantor") absolutely and unconditionally guarantees and promises to pay to City of Commerce ("Lender") or its order, in legal tender of the United States of America, the Indebtedness (as that term is defined below) of Dedeaux Properties, LLC ("Borrower") to Lender on the terms and conditions set forth in this Guaranty.

MAXIMUM LIABILITY. The maximum liability of Guarantor under this Guaranty shall not exceed at any one time the amount of the Indebtedness described herein, plus all costs and expenses of (A) enforcement of this Guaranty and (B) collection and sale of any collateral securing this Guaranty.

The above limitation on liability is not a restriction on the amount of the Indebtedness of Borrower to Lender either in the aggregate or at any one time. If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, Lender's rights under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. Guarantor's liability will be Guarantor's aggregate liability under the terms of this Guaranty and any such other unexpired guaranties.

INDEBTEDNESS GUARANTEED. The Indebtedness guaranteed by this Guaranty includes the Note, including (a) all principal, (b) all interest, (c) all late charges, (d) all loan fees and loan charges, and (e) all collection costs and expenses relating to the Note or to any collateral for the Note. Collection costs and expenses include without limitation all of Lender's attorneys' fees.

DURATION OF GUARANTY. This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all Indebtedness shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty.

GUARANTOR'S AUTHORIZATION TO LENDER. Guarantor authorizes Lender, **without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time:** (A) to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the Indebtedness or any part of the Indebtedness, including increases and decreases of the rate of interest on the Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness; (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the Indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

GUARANTOR'S REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, and all future financial information which will be provided to Lender is and will be true and correct in all material respects and fairly present Guarantor's financial condition as of the dates the financial information is provided; (G) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Lender and no event has occurred which may materially adversely affect Guarantor's financial condition; (H) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (I) Lender has made no representation to Guarantor as to the creditworthiness of Borrower; and (J) Guarantor has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Guarantor agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information, Lender shall have no obligation to disclose to Guarantor any information or documents acquired by Lender in the course of its relationship with Borrower.

GUARANTOR'S WAIVERS. Except as prohibited by applicable law, Guarantor waives any right to require Lender to (A) make any presentment, protest, demand, or notice of any kind, including notice of change of any terms of repayment of the Indebtedness, default by Borrower or any other guarantor or surety, any action or nonaction taken by Borrower, Lender, or any other guarantor or surety of Borrower, or the creation of new or additional Indebtedness; (B) proceed against any person, including Borrower, before proceeding against Guarantor; (C) proceed against any collateral for the Indebtedness, including Borrower's collateral, before proceeding against Guarantor; (D) apply any payments or proceeds received against the Indebtedness in any order; (E) give notice of the terms, time, and place of any sale of the collateral pursuant to the Uniform Commercial Code or any other law governing such sale; (F) disclose any information about the Indebtedness, the Borrower, the collateral, or any other guarantor or surety, or about any action or nonaction of Lender; or (G) pursue any remedy or course of action in Lender's power whatsoever.

Guarantor also waives any and all rights or defenses arising by reason of (H) any disability or other defense of Borrower, any other guarantor or surety or any other person; (I) the cessation from any cause whatsoever, other than payment in full, of the Indebtedness; (J) the application of proceeds of the Indebtedness by Borrower for purposes other than the purposes understood and intended by Guarantor and Lender; (K) any act of omission or commission by Lender which directly or indirectly results in or contributes to the discharge of Borrower or any other guarantor or surety, or the Indebtedness, or the loss or release of any collateral by operation of law or otherwise; (L) any statute of limitations in any action under this Guaranty or on the Indebtedness; or (M) any modification or change in terms of the Indebtedness, whatsoever, including without limitation, the renewal, extension, acceleration, or other change in the time payment of the Indebtedness is due and any change in the interest rate.

Guarantor waives all rights and any defenses arising out of an election of remedies by Lender even though that the election of remedies, such as a non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantor's rights of subrogation and reimbursement against Borrower by operation of Section 580d of the California Code of Civil Procedure or otherwise.

Guarantor waives all rights and defenses that Guarantor may have because Borrower's obligation is secured by real property. This means among other things: (1) Lender may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by Borrower. (2) If Lender forecloses on any real property collateral pledged by Borrower: (a) the amount of Borrower's obligation may be reduced only by the price for which the collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price. (b) Lender may collect from Guarantor even if Lender, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because Borrower's obligation is secured by real property. These rights and defenses include, but are not limited to, any rights and defenses based upon Section 580a, 580b, 580d, or 726 of the Code of Civil Procedure.

Guarantor understands and agrees that the foregoing waivers are unconditional and irrevocable waivers of substantive rights and defenses to which Guarantor might otherwise be entitled under state and federal law. Guarantor acknowledges that Guarantor has provided these waivers of rights and defenses with the intention that they be fully relied upon by Lender. Guarantor further understands and agrees that this Guaranty is a separate and independent contract between Guarantor and Lender, given for full and ample consideration, and is enforceable on its own terms. Until all Indebtedness is paid in full, Guarantor waives any right to enforce any remedy Guarantor may have against the Borrower or any other guarantor, surety, or other person, and further, Guarantor waives any right to participate in any collateral for the Indebtedness now or hereafter held by Lender.

GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS. Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

SUBORDINATION OF BORROWER'S DEBTS TO GUARANTOR. Guarantor agrees that the Indebtedness of Borrower to Lender, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim

Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the Indebtedness of Borrower to Lender. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the Indebtedness. If Lender so requests, any notes or credit agreements now or hereafter evidencing any debts or obligations of Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and shall be delivered to Lender. Guarantor agrees, and Lender is hereby authorized, in the name of Guarantor, from time to time to file financing statements and continuation statements and to execute documents and to take such other actions as Lender deems necessary or appropriate to perfect, preserve and enforce its rights under this Guaranty.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Guaranty:

Amendments. This Guaranty, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Arbitration. Borrower and Guarantor and Lender agree that all disputes, claims and controversies between them whether individual, joint, or class in nature, arising from this Guaranty or otherwise, including without limitation contract and tort disputes, shall be arbitrated pursuant to the Rules of the American Arbitration Association in effect at the time the claim is filed, upon request of either party. No act to take or dispose of any Collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order; invoking a power of sale under any deed of trust or mortgage; obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property, including taking or disposing of such property with or without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right, concerning any Collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the Collateral, shall also be arbitrated, provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of any party. Borrower and Guarantor and Lender agree that in the event of an action for judicial foreclosure pursuant to California Code of Civil Procedure Section 726, or any similar provision in any other state, the commencement of such an action will not constitute a waiver of the right to arbitrate and the court shall refer to arbitration as much of such action, including counterclaims, as lawfully may be referred to arbitration. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. Nothing in this Guaranty shall preclude any party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an

arbitration proceeding shall be deemed the commencement of an action for these purposes. The Federal Arbitration Act shall apply to the construction, interpretation, and enforcement of this arbitration provision.

Attorneys' Fees; Expenses. Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

Governing Law. This Guaranty will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Guaranty has been accepted by Lender in the State of California.

Choice of Venue. If there is a lawsuit, Guarantor agrees upon Lender's request to submit to the jurisdiction of the courts of Los Angeles County, State of California.

Integration. Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parol evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph.

Interpretation. In all cases where there is more than one Borrower or Guarantor, then all words used in this Guaranty in the singular shall be deemed to have been used in the plural where the context and construction so require; and where there is more than one Borrower named in this Guaranty or when this Guaranty is executed by more than one Guarantor, the words "Borrower" and "Guarantor" respectively shall mean all and any one or more of them. The words "Guarantor," "Borrower," and "Lender" include the heirs, successors, assigns, and transferees of each of them. If a court finds that any provision of this Guaranty is not valid or should not be enforced, that fact by itself will not mean that the rest of this Guaranty will not be valid or enforced. Therefore, a court will enforce the rest of the provisions of this Guaranty even if a provision of this Guaranty may be found to be invalid or unenforceable. If any one or more of Borrower or Guarantor are corporations, partnerships, limited liability companies, or similar entities, it is not necessary for Lender to inquire into the powers of Borrower or Guarantor or of the officers, directors, partners, managers, or other agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

Notices. Any notice required to be given under this Guaranty shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Guaranty. Any party may change its address for notices under this Guaranty by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Lender informed at all times of Guarantor's current address. Unless otherwise provided or required by law, if there is more than one Guarantor, any notice given by Lender to any Guarantor is deemed to be notice given to all Guarantors.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Guaranty shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Lender, nor any course of dealing between Lender and Guarantor, shall constitute a waiver of any of Lender's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Guaranty, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interest, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means Dedeaux Properties, LLC and includes all co-signers and co-makers signing the Note.

Guarantor. The word "Guarantor" means each and every person or entity signing this Guaranty, including without limitation DART Transportation Services.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Indebtedness. The word "Indebtedness" means Borrower's indebtedness to Lender as more particularly described in this Guaranty.

Lender. The word "Lender" means County of City of Commerce, its successors and assigns.

Note. The word "Note" means the promissory note dated August 30, 2005, in the original principal amount of \$10,000,000.00 from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

EACH UNDERSIGNED GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, EACH GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO LENDER AND THAT THE GUARANTY WILL CONTINUE UNTIL TERMINATED IN THE MANNER SET FORTH IN THE SECTION TITLED "DURATION OF GUARANTY". NO FORMAL ACCEPTANCE BY LENDER IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED _____

GUARANTOR:

DART TRANSPORTATION SERVICES

By:_____

Raoul Dedeaux, President of DART Transportation Services

By:_____

William J. Smollen, Treasurer of DART Transportation Services

COMMERCIAL GUARANTY AGREEMENT

Principal	Loan Date	Maturity	Loan No.	Call/Coll	Officer	Initials
\$10,000,000			B-04-UC06-0505			DV

References in the boxed areas above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "" "" has been omitted due to text length limitations.

Borrower: Dedeaux Properties, LLC
4000 Noakes Street
Commerce, CA 90023

Lender: City of Commerce
2535 Commerce Way
Commerce, CA 90040

Guarantor: DART Equipment Corporation
4000 Noakes Street
Commerce, CA 90023

AMOUNT OF GUARANTY. This is a guaranty of payment of the Note, including without limitation the principal Note amount of Ten Million & 00/100 Dollars (\$10,000,000.00).

GUARANTY. For good and valuable consideration, DART Equipment Corporation ("Guarantor") absolutely and unconditionally guarantees and promises to pay to City of Commerce ("Lender") or its order, in legal tender of the United States of America, the Indebtedness (as that term is defined below) of Dedeaux Properties, LLC ("Borrower") to Lender on the terms and conditions set forth in this Guaranty.

MAXIMUM LIABILITY. The maximum liability of Guarantor under this Guaranty shall not exceed at any one time the amount of the Indebtedness described herein, plus all costs and expenses of (A) enforcement of this Guaranty and (B) collection and sale of any collateral securing this Guaranty.

The above limitation on liability is not a restriction on the amount of the Indebtedness of Borrower to Lender either in the aggregate or at any one time. If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, Lender's rights under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. Guarantor's liability will be Guarantor's aggregate liability under the terms of this Guaranty and any such other unexpired guaranties.

INDEBTEDNESS GUARANTEED. The Indebtedness guaranteed by this Guaranty includes the Note, including (a) all principal, (b) all interest, (c) all late charges, (d) all loan fees and loan charges, and (e) all collection costs and expenses relating to the Note or to any collateral for the Note. Collection costs and expenses include without limitation all of Lender's attorneys' fees.

DURATION OF GUARANTY. This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all Indebtedness shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty.

GUARANTOR'S AUTHORIZATION TO LENDER. Guarantor authorizes Lender, **without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time:** (A) to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the Indebtedness or any part of the Indebtedness, including increases and decreases of the rate of interest on the Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness; (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the Indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

GUARANTOR'S REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, and all future financial information which will be provided to Lender is and will be true and correct in all material respects and fairly present Guarantor's financial condition as of the dates the financial information is provided; (G) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Lender and no event has occurred which may materially adversely affect Guarantor's financial condition; (H) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (I) Lender has made no representation to Guarantor as to the creditworthiness of Borrower; and (J) Guarantor has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Guarantor agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information, Lender shall have no obligation to disclose to Guarantor any information or documents acquired by Lender in the course of its relationship with Borrower.

GUARANTOR'S WAIVERS. Except as prohibited by applicable law, Guarantor waives any right to require Lender to (A) make any presentment, protest, demand, or notice of any kind, including notice of change of any terms of repayment of the Indebtedness, default by Borrower or any other guarantor or surety, any action or nonaction taken by Borrower, Lender, or any other guarantor or surety of Borrower, or the creation of new or additional Indebtedness; (B) proceed against any person, including Borrower, before proceeding against Guarantor; (C) proceed against any collateral for the Indebtedness, including Borrower's collateral, before proceeding against Guarantor; (D) apply any payments or proceeds received against the Indebtedness in any order; (E) give notice of the terms, time, and place of any sale of the collateral pursuant to the Uniform Commercial Code or any other law governing such sale; (F) disclose any information about the Indebtedness, the Borrower, the collateral, or any other guarantor or surety, or about any action or nonaction of Lender; or (G) pursue any remedy or course of action in Lender's power whatsoever.

Guarantor also waives any and all rights or defenses arising by reason of (H) any disability or other defense of Borrower, any other guarantor or surety or any other person; (I) the cessation from any cause whatsoever, other than payment in full, of the Indebtedness; (J) the application of proceeds of the Indebtedness by Borrower for purposes other than the purposes understood and intended by Guarantor and Lender; (K) any act of omission or commission by Lender which directly or indirectly results in or contributes to the discharge of Borrower or any other guarantor or surety, or the Indebtedness, or the loss or release of any collateral by operation of law or otherwise; (L) any statute of limitations in any action under this Guaranty or on the Indebtedness; or (M) any modification or change in terms of the Indebtedness, whatsoever, including without limitation, the renewal, extension, acceleration, or other change in the time payment of the Indebtedness is due and any change in the interest rate.

Guarantor waives all rights and any defenses arising out of an election of remedies by Lender even though that the election of remedies, such as a non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantor's rights of subrogation and reimbursement against Borrower by operation of Section 580d of the California Code of Civil Procedure or otherwise.

Guarantor waives all rights and defenses that Guarantor may have because Borrower's obligation is secured by real property. This means among other things: (1) Lender may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by Borrower. (2) If Lender forecloses on any real property collateral pledged by Borrower: (a) the amount of Borrower's obligation may be reduced only by the price for which the collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price. (b) Lender may collect from Guarantor even if Lender, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because Borrower's obligation is secured by real property. These rights and defenses include, but are not limited to, any rights and defenses based upon Section 580a, 580b, 580d, or 726 of the Code of Civil Procedure.

Guarantor understands and agrees that the foregoing waivers are unconditional and irrevocable waivers of substantive rights and defenses to which Guarantor might otherwise be entitled under state and federal law. Guarantor acknowledges that Guarantor has provided these waivers of rights and defenses with the intention that they be fully relied upon by Lender. Guarantor further understands and agrees that this Guaranty is a separate and independent contract between Guarantor and Lender, given for full and ample consideration, and is enforceable on its own terms. Until all Indebtedness is paid in full, Guarantor waives any right to enforce any remedy Guarantor may have against the Borrower or any other guarantor, surety, or other person, and further, Guarantor waives any right to participate in any collateral for the Indebtedness now or hereafter held by Lender.

GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS. Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

SUBORDINATION OF BORROWER'S DEBTS TO GUARANTOR. Guarantor agrees that the Indebtedness of Borrower to Lender, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim

Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the Indebtedness of Borrower to Lender. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the Indebtedness. If Lender so requests, any notes or credit agreements now or hereafter evidencing any debts or obligations of Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and shall be delivered to Lender. Guarantor agrees, and Lender is hereby authorized, in the name of Guarantor, from time to time to file financing statements and continuation statements and to execute documents and to take such other actions as Lender deems necessary or appropriate to perfect, preserve and enforce its rights under this Guaranty.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Guaranty:

Amendments. This Guaranty, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Arbitration. Borrower and Guarantor and Lender agree that all disputes, claims and controversies between them whether individual, joint, or class in nature, arising from this Guaranty or otherwise, including without limitation contract and tort disputes, shall be arbitrated pursuant to the Rules of the American Arbitration Association in effect at the time the claim is filed, upon request of either party. No act to take or dispose of any Collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order; invoking a power of sale under any deed of trust or mortgage; obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property, including taking or disposing of such property with or without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right, concerning any Collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the Collateral, shall also be arbitrated, provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of any party. Borrower and Guarantor and Lender agree that in the event of an action for judicial foreclosure pursuant to California Code of Civil Procedure Section 726, or any similar provision in any other state, the commencement of such an action will not constitute a waiver of the right to arbitrate and the court shall refer to arbitration as much of such action, including counterclaims, as lawfully may be referred to arbitration. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. Nothing in this Guaranty shall preclude any party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an

arbitration proceeding shall be deemed the commencement of an action for these purposes. The Federal Arbitration Act shall apply to the construction, interpretation, and enforcement of this arbitration provision.

Attorneys' Fees; Expenses. Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

Governing Law. This Guaranty will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Guaranty has been accepted by Lender in the State of California.

Choice of Venue. If there is a lawsuit, Guarantor agrees upon Lender's request to submit to the jurisdiction of the courts of Los Angeles County, State of California.

Integration. Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parol evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph.

Interpretation. In all cases where there is more than one Borrower or Guarantor, then all words used in this Guaranty in the singular shall be deemed to have been used in the plural where the context and construction so require; and where there is more than one Borrower named in this Guaranty or when this Guaranty is executed by more than one Guarantor, the words "Borrower" and "Guarantor" respectively shall mean all and any one or more of them. The words "Guarantor," "Borrower," and "Lender" include the heirs, successors, assigns, and transferees of each of them. If a court finds that any provision of this Guaranty is not valid or should not be enforced, that fact by itself will not mean that the rest of this Guaranty will not be valid or enforced. Therefore, a court will enforce the rest of the provisions of this Guaranty even if a provision of this Guaranty may be found to be invalid or unenforceable. If any one or more of Borrower or Guarantor are corporations, partnerships, limited liability companies, or similar entities, it is not necessary for Lender to inquire into the powers of Borrower or Guarantor or of the officers, directors, partners, managers, or other agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

Notices. Any notice required to be given under this Guaranty shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Guaranty. Any party may change its address for notices under this Guaranty by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Lender informed at all times of Guarantor's current address. Unless otherwise provided or required by law, if there is more than one Guarantor, any notice given by Lender to any Guarantor is deemed to be notice given to all Guarantors.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Guaranty shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Lender, nor any course of dealing between Lender and Guarantor, shall constitute a waiver of any of Lender's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Guaranty, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interest, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means Dedeaux Properties, LLC and includes all co-signers and co-makers signing the Note.

Guarantor. The word "Guarantor" means each and every person or entity signing this Guaranty, including without limitation DART Equipment Corporation.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Indebtedness. The word "Indebtedness" means Borrower's indebtedness to Lender as more particularly described in this Guaranty.

Lender. The word "Lender" means County of City of Commerce, its successors and assigns.

Note. The word "Note" means the promissory note dated August 30, 2005, in the original principal amount of \$10,000,000.00 from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

EACH UNDERSIGNED GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, EACH GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO LENDER AND THAT THE GUARANTY WILL CONTINUE UNTIL TERMINATED IN THE MANNER SET FORTH IN THE SECTION TITLED "DURATION OF GUARANTY". NO FORMAL ACCEPTANCE BY LENDER IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED _____

GUARANTOR:

DART EQUIPMENT CORPORATION

By:_____

Raoul Dedeaux, President of DART Equipment Corporation

By:_____

William J. Smollen, Treasurer of DART Equipment Corporation

COMMERCIAL GUARANTY AGREEMENT

Principal	Loan Date	Maturity	Loan No.	Call/Coll	Officer	Initials
\$10,000,000			B-04-UC06-0505			DV

References in the boxed areas above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "" "" has been omitted due to text length limitations.

Borrower: Dedeaux Properties, LLC
4000 Noakes Street
Commerce, CA 90023

Lender: City of Commerce
2535 Commerce Way
Commerce, CA 90040

Guarantor: Integrated Transportation Services
4000 Noakes Street
Commerce, CA 90023

AMOUNT OF GUARANTY. This is a guaranty of payment of the Note, including without limitation the principal Note amount of Ten Million & 00/100 Dollars (\$10,000,000.00).

GUARANTY. For good and valuable consideration, Integrated Transportation Services ("Guarantor") absolutely and unconditionally guarantees and promises to pay to City of Commerce ("Lender") or its order, in legal tender of the United States of America, the Indebtedness (as that term is defined below) of Dedeaux Properties, LLC ("Borrower") to Lender on the terms and conditions set forth in this Guaranty.

MAXIMUM LIABILITY. The maximum liability of Guarantor under this Guaranty shall not exceed at any one time the amount of the Indebtedness described herein, plus all costs and expenses of (A) enforcement of this Guaranty and (B) collection and sale of any collateral securing this Guaranty.

The above limitation on liability is not a restriction on the amount of the Indebtedness of Borrower to Lender either in the aggregate or at any one time. If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, Lender's rights under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. Guarantor's liability will be Guarantor's aggregate liability under the terms of this Guaranty and any such other untermiated guaranties.

INDEBTEDNESS GUARANTEED. The Indebtedness guaranteed by this Guaranty includes the Note, including (a) all principal, (b) all interest, (c) all late charges, (d) all loan fees and loan charges, and (e) all collection costs and expenses relating to the Note or to any collateral for the Note. Collection costs and expenses include without limitation all of Lender's attorneys' fees.

DURATION OF GUARANTY. This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all Indebtedness shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors shall not affect the liability of any remaining Guarantors under this Guaranty.

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GUARANTOR'S REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, and all future financial information which will be provided to Lender is and will be true and correct in all material respects and fairly present Guarantor's financial condition as of the dates the financial information is provided; (G) no material adverse change has occurred in Guarantor's financial condition since the date of the most recent financial statements provided to Lender and no event has occurred which may materially adversely affect Guarantor's financial condition; (H) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (I) Lender has made no representation to Guarantor as to the creditworthiness of Borrower; and (J) Guarantor has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Guarantor agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information, Lender shall have no obligation to disclose to Guarantor any information or documents acquired by Lender in the course of its relationship with Borrower.

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additional Indebtedness; (B) proceed against any person, including Borrower, before proceeding against Guarantor; (C) proceed against any collateral for the Indebtedness, including Borrower's collateral, before proceeding against Guarantor; (D) apply any payments or proceeds received against the Indebtedness in any order; (E) give notice of the terms, time, and place of any sale of the collateral pursuant to the Uniform Commercial Code or any other law governing such sale; (F) disclose any information about the Indebtedness, the Borrower, the collateral, or any other guarantor or surety, or about any action or nonaction of Lender; or (G) pursue any remedy or course of action in Lender's power whatsoever.

Guarantor also waives any and all rights or defenses arising by reason of (H) any disability or other defense of Borrower, any other guarantor or surety or any other person; (I) the cessation from any cause whatsoever, other than payment in full, of the Indebtedness; (J) the application of proceeds of the Indebtedness by Borrower for purposes other than the purposes understood and intended by Guarantor and Lender; (K) any act of omission or commission by Lender which directly or indirectly results in or contributes to the discharge of Borrower or any other guarantor or surety, or the Indebtedness, or the loss or release of any collateral by operation of law or otherwise; (L) any statute of limitations in any action under this Guaranty or on the Indebtedness; or (M) any modification or change in terms of the Indebtedness, whatsoever, including without limitation, the renewal, extension, acceleration, or other change in the time payment of the Indebtedness is due and any change in the interest rate.

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MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Guaranty:

Amendments. This Guaranty, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Arbitration. Borrower and Guarantor and Lender agree that all disputes, claims and controversies between them whether individual, joint, or class in nature, arising from this Guaranty or otherwise, including without limitation contract and tort disputes, shall be arbitrated pursuant to the Rules of the American Arbitration Association in effect at the time the claim is filed, upon request of either party. No act to take or dispose of any Collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order; invoking a power of sale under any deed of trust or mortgage; obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property, including taking or disposing of such property with or without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right, concerning any Collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the Collateral, shall also be arbitrated, provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of any party. Borrower and Guarantor and Lender agree that in the event of an action for judicial foreclosure pursuant to California Code of Civil Procedure Section 726, or any similar provision in any other state, the commencement of such an action will not constitute a waiver of the right to arbitrate and the court shall refer to arbitration as much of such action, including counterclaims, as lawfully may be referred to arbitration. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. Nothing in this Guaranty shall preclude any party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of an action for these purposes. The Federal Arbitration Act shall apply to the construction, interpretation, and enforcement of this arbitration provision.

Attorneys' Fees; Expenses. Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

Governing Law. This Guaranty will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Guaranty has been accepted by Lender in the State of California.

Choice of Venue. If there is a lawsuit, Guarantor agrees upon Lender's request to submit to the jurisdiction of the courts of Los Angeles County, State of California.

Integration. Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parol evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph.

Interpretation. In all cases where there is more than one Borrower or Guarantor, then all words used in this Guaranty in the singular shall be deemed to have been used in the plural where the context and construction so require; and where there is more than one Borrower named in this Guaranty or when this Guaranty is executed by more than one Guarantor, the words "Borrower" and "Guarantor" respectively shall mean all and any one or more of them. The words "Guarantor," "Borrower," and "Lender" include the heirs, successors, assigns, and transferees of each of them. If a court finds that any provision of this Guaranty is not valid or should not be enforced, that fact by itself will not mean that the rest of this Guaranty will not be valid or enforced. Therefore, a court will enforce the rest of the provisions of this Guaranty even if a provision of this Guaranty may be found to be invalid or unenforceable. If any one or more of Borrower or Guarantor are corporations, partnerships, limited liability companies, or similar entities, it is not necessary for Lender to inquire into the powers of Borrower or Guarantor or of the officers, directors, partners, managers, or other agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

Notices. Any notice required to be given under this Guaranty shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Guaranty. Any party may change its address for notices under this Guaranty by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Lender informed at all times of Guarantor's current address. Unless otherwise provided or required by law, if there is more than one Guarantor, any notice given by Lender to any Guarantor is deemed to be notice given to all Guarantors.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Guaranty shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Lender, nor any course of dealing between Lender and Guarantor, shall constitute a waiver of any of Lender's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Guaranty, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interest, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means Dedeaux Properties, LLC and includes all co-signers and co-makers signing the Note.

Guarantor. The word "Guarantor" means each and every person or entity signing this Guaranty, including without limitation Integrated Transportation Services.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Indebtedness. The word "Indebtedness" means Borrower's indebtedness to Lender as more particularly described in this Guaranty.

Lender. The word "Lender" means County of City of Commerce, its successors and assigns.

Note. The word "Note" means the promissory note dated August 30, 2005, in the original principal amount of \$10,000,000.00 from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

EACH UNDERSIGNED GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, EACH GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO LENDER AND THAT THE GUARANTY WILL CONTINUE UNTIL TERMINATED IN THE MANNER SET FORTH IN

THE SECTION TITLED "DURATION OF GUARANTY". NO FORMAL ACCEPTANCE BY LENDER IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED _____

GUARANTOR:

INTEGRATED TRANSPORTATION SERVICES

By: _____

Raoul Dedeaux, President of Integrated Transportation Services

By: _____

William J. Smollen, Treasurer of Integrated Transportation Services